2014 ANNUAL REPORT

IGG
I GOT GAMES

Incorporated in the Cayman Islands with limited liability

IGG INC Stock code: 8002

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Xiaojun Li
Mr. Kee Lock Chua

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

COMPLIANCE OFFICER

Mr. Yuan Chi

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

No. 10 Jalan Kilang
Sime Darby Enterprise Centre
#07-03 Singapore 159410

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

AUDITORS
Ernst & Young

LEGAL ADVISER AS TO HONG KONG LAWS
Orrick, Herrington & Sutcliffe

LEGAL ADVISER AS TO PRC LAWS
Jingtian & Gongcheng

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

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

COMPANY WEBSITE
www.igg.com

PRINCIPAL PLACE OF BUSINESS IN THE PRC
19-21/F, A#, Xinhuaxing Plaza
155 Hualin Road
Fuzhou, Fujian Province
PRC

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

INVESTOR RELATIONS CONSULTANTS
Wonderful Sky Financial Group Limited

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

CHAIRMAN'S STATEMENT

Since the Company was listed slightly over a year ago in late 2013, the Internet industry, particularly the mobile game sector, has experienced dramatic fluctuations. The global mobile gaming market recorded a turnover of US$25 billion in 2014, with the number of mobile gamers reaching 1.5 billion. The compound annual growth rate (CAGR) of the mobile gaming market is forecast to be above 15%* from 2014 to 2017. Due to the growing popularity of smart phones, mobile gaming is rapidly gaining widespread acceptance.

Since 2014, a number of China's domestic game companies have gone public in the United States, Hong Kong and mainland China itself. There has also been an increasing number of mergers and acquisitions. At the same time, the market has attracted many new entrants, intensifying competition within a short period of time. Rising user-acquisition costs and a changing tax environment, such as the tax reforms in the EU, have threatened the survival of gaming start-ups and small game developers. As the gap between strong and weak players in the market widens, and weaker competitors withdraw from the field, the mobile gaming market is likely to undergo a transformation and company valuations will return to more reasonable levels.

Over the past year, the Group has launched a number of excellent games worldwide. In the 17 months since the launch of the Group's major self-developed game "Castle Clash" in late July 2013, revenue has constantly hit new highs, with monthly gross revenue rising steadily from about US$2 million to more than US$12 million. The game is available in 13 languages on four mobile phone platforms, namely Android, iOS, Kindle and Windows Phone. An Arabic version was released in January 2015. The development team has been constantly updating and improving all versions of the game, based on feedback from gamers. The English Android version alone has had more than 40 updates, including new characters, improvements to game play, bug fixes and special holiday promotions. These efforts have been rewarded with more than 2 million five-star ratings for Castle Clash from gamers. The monthly gross revenue of another self-developed game series, Clash of Lords, also surpassed US$1 million in April 2014 and exceeded US$3 million in December. In addition, the Group launched more than 20 new games in 2014, including self-developed games and licensed games, many of which have considerable growth potential. These include strategy games such as "Clash of Gangs" and "Galaxy Online 3" and card games such as "Deck Heroes".

In continuing efforts to expand and pursue its goal to become a truly global company, a new research and development studio was set up in Canada in January 2014. Research and development capabilities in Singapore and China were further strengthened. On top of that, research and development staff in different regions were encouraged to interact with and learn from each other to deepen mutual understanding of each others' culture, customs and design concepts. This was achieved through face-to-face communication and collaboration. These exchanges have greatly helped in the localization of game content, and laid a solid foundation for subsequent global operations.

CHAIRMAN'S STATEMENT

The Group is also actively trying different ways to enhance user experience and offer maximum value to users in the mobile Internet era. One such attempt is the instant messaging application LINK, launched in August 2014. One of LINK's main unique features is its location-based group chat function for users with similar interests. Over the past few months, a lot of effort has been put into improving and refining the application's community creation, group management, content sharing and private chat functions, as well as making it available in more languages. These efforts have not only improved user experience but also attracted both gamers – who use LINK as a communication tool – and non-gamers – who use LINK as a social networking tool. LINK's location-based functionality has also helped users go beyond virtual friendships to meeting each other in real life, further enhancing their relationships and sense of community.

Among the top grossing games on iOS in the United States in 2014, 12 (or 60%) of the Top 20* were old games which had been released for more than one year. This market statistic is evidence that our long standing philosophy is right: develop good products, continuously improve and update them to increase product longevity, localize for different markets, and provide excellent customer service. Going forward, we will continue to grow the user base of our existing games, while at the same time launch new games of different genres and in multiple languages to attract different target users and expand our market reach. We plan to launch more than 30 games in 2015.

With rapidly developing economies and increasing smart phone adoption, Asian countries have some of fastest growth rates in the gaming industry. At the start of the new year, the Group established new game development and local operations teams in South Korea, Japan and Thailand, while actively looking at developing the game outsourcing business in Taiwan. Given the successful experience of our Singapore and North America teams in localizing content and operations, we believe the setting up of these new offices will further entrench the Group's presence in Asia. As new outsourcing partnerships and strategic investments start to bear fruit, the Group will enjoy significant synergies in its global operations in the years ahead.

* Data derived from the Newzoo report

Zongjian Cai
Chairman and Executive Director

9 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a rapidly growing developer and publisher of mobile online games with a global presence and international customer base. The Group has its headquarter in Singapore with regional offices in the United States, China, Canada, Japan, Korea, Thailand and the Philippines, with customers from over 200 countries and regions around the world.

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

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

Mobile games

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

Revenue generated from mobile games accounted for approximately 85.3% of the total revenue for the year ended 31 December 2014, as compared to approximately 50.7% for the year ended 31 December 2013. In particular, the Group's hit title "Castle Clash", a fast-paced tower defense game, has enjoyed widespread popularity. It ranked top five in 14 countries and regions and top ten in 33 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 December 2014, according to Appannie. com, an independent third party provider of mobile application analytics. In May 2014, the simplified Chinese version of Castle Clash was officially launched on all the Tencent's mobile social platforms, which facilitated to draw greater attention from the gamers in Mainland China. The Group has been able to extend the lifespan of Castle Clash by regularly introducing new game features, rapidly resolving technical issues, and consistently providing excellent customer service, and building a large community of loyal gamers around the world along the way. Since its launch at the end of July 2013, monthly revenue for Castle Clash has grown steadily from approximately US$2.0 million in August 2013 to more than US$12.0 million in December 2014. The game available on the Android, iOS, Amazon Kindle and Windows Phone platforms, has been localized into 13 different languages, and has more than 9 million MAU.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the fourth quarter of 2014, the Group launched four major games, namely "Clash of Gangs", "Gods Rush","Deck Heroes" (English version) and "Galaxy Online III", all of which were developed in-house. "Clash of Gangs" is a 3D combat strategy game set in the underworld, produced by the Group's development team in North America. "Gods Rush" is a card-based strategy game based on Greek mythology. "Deck Heroes" is a card-based strategy game with a western mythology theme. "Galaxy Online III" is a strategy mobile game with turn-based combat set in a science fiction galaxy of advanced space travelers.

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

Global Presence

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

To diversify business

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

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

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

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

To strengthen global presence

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

To make strategic investments and seek potential acquisitions opportunity

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

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

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the year ended 31 December 2014 is set out below:

Business objectives for the year ended 31 December 2014 as stated in the Prospectus	Actual business progress for the year ended 31 December 2014
Continue the promotion of existing or new online games on various Internet application platforms, social network platforms and other online game promotional platforms	The Group has increased its advertising campaigns for the major games on various online game promotional platforms
Acquisition of/investment in online game developers	The Group has made several strategic investments into online gaming and mobile internet related companies.
Enhance and diversify the game development capabilities	The Group has recruited more game developing personnel in the PRC and Singapore to further strengthen and diversify its game development capabilities.
Working capital and other general corporate purposes	The Group has spent its working capital in its day-to-day operations and other general corporate purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE PLACING

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

An analysis of the utilisation of the net proceeds from the Placing and the unutilised amount as at 31 December 2014 is set out below:

	Net proceeds from the Placing US$'000	Utilised amount as at 31 December 2014 US$'000	Unutilised amount as at 31 December 2014 US$'000
1. Continue the promotion of existing or new online games on various Internet application platforms, social network platforms and other online game promotional platforms	**36,759.1**	**36,759.1**	**—**
2. Acquisition of/investment in online game developers	**36,759.1**	**18,981.0[(1)]**	**17,778.1**
3. Enhance and diversify the game development capabilities	**21,000.5**	**18,684.7**	**2,315.8**
4. Working capital and other general corporate purposes	**10,500.3**	**10,500.3**	**—**
Total	**105,019.0**	**84,925.1**	**20,093.9**

Note:

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

KEY FINANCIAL INFORMATION

	Year ended 31 December	
	2014 US$'000	2013 US$'000
Revenue	**204,612**	87,986
Profit for the year	**66,392**	6,948
Profit for the year attributable to owners of the parent	**66,373**	6,948
Adjusted net income*	**68,642**	22,145

* Adjusted net income represented profit excluding share-based compensation, and the fair value loss of the redeemable convertible Preferred Shares, which were converted to ordinary Shares on 31 May 2013 in accordance with the then applicable articles of association of the Company and have been transferred to equity. It is considered a useful supplement to the consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

Revenue by operating segment and game type

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by geographical markets

The following table sets forth a breakdown of the revenue by geographical markets based on IP location of the players for the years ended 31 December 2014 and 31 December 2013, respectively:

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

Revenue by games

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income and gains

The Group's other income and gains for the year ended 31 December 2014 was approximately US$4.1 million, compared to approximately US$0.6 million for the year ended 31 December 2013, primarily due to an investment income generated from the disposal of available-for-sales investments in a South Korea listed online gaming company.

Selling and distribution expenses

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

Administrative expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development costs

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

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2014 were approximately US$5.2 million, representing an increase of approximately 300.0% over approximately US$1.3 million for the year ended 31 December 2013, primarily due to an increase in profit before tax.

Capital Expenditures

As a game development and operation company, the Group's capital expenditures were mainly related to purchases of property, plant and equipment such as servers, computer equipments and intangible assets, such as software and trademark. Capital expenditures for the years ended 31 December 2014 and 2013 are set forth as below:

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

Capital Commitment

The Group had a capital commitment of approximately US$0.3 million as at 31 December 2014 (31 December 2013: Nil). Please refer to note 34 to the financial statements for details of capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources and Gearing Ratios

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

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

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

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

Operating activities

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

MANAGEMENT DISCUSSION AND ANALYSIS

Investing activities

Net cash flows used in investing activities was approximately US$53.1 million in 2014, representing an increase by approximately US$42.1 million as compared to US$11.0 million in 2013, which was primarily attributable to (i) an increase of investments in time deposits with original maturity of over three months, which was in line with the Group's treasury management strategy to earn a higher return on cash; and (ii) the strategic investments in several online game developing companies.

Financing activities

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. 23.4% of the sales are denominated in currencies other than the functional currency of the operating units making the sales for the year ended 31 December 2014 (31 December 2013: 11.7%). The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

Capital structure

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

Dividends

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

As far as the Company is aware, as at the date of this report, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend proposed to be distributed for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As at 31 December 2014, the Group had 796 employees (31 December 2013: 651). The table below sets forth the number of employees in each functional area as at 31 December 2014 and 2013 respectively:

	As at 31 December			
	2014		2013	
Function	**Number of Employees**	**% of total**	Number of Employees	% of total
Management	**26**	**3.3**	21	3.2
Development team	**405**	**50.9**	320	49.2
IT support team	**66**	**8.3**	57	8.8
Operation	**236**	**29.6**	204	31.3
Finance and accounting	**28**	**3.5**	19	2.9
Internal audit	**1**	**0.1**	1	0.2
Legal department	**3**	**0.4**	2	0.3
Administration	**31**	**3.9**	27	4.1
Total	**796**	**100.0**	651	100.0

The table below sets forth the number of employees by geographic location as at 31 December 2014 and 2013 respectively:

	As at 31 December			
	2014		2013	
Location	**Number of Employees**	**% of total**	Number of Employees	% of total
China	**613**	**77.0**	565	86.8
US	**30**	**3.8**	17	2.6
Singapore	**55**	**6.9**	32	4.9
Philippines	**70**	**8.8**	37	5.7
Canada	**28**	**3.5**	0	0.0
Total	**796**	**100.0**	651	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Significant Investment

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

Interest Capitalised

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

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

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

Charge on Assets

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

Contingent Liabilities

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zongjian Cai (蔡宗建), aged 37, was appointed as an executive Director of the Company on 31 October 2007 and is the chief executive officer of the Company. Mr. Cai is one of the Founders and is primarily responsible for the corporate strategic planning and overall business development of the Group. Mr. Cai has approximately 15 years of experience in online game industry. He worked at Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機信息網絡技術有限公司) as a vice president from May 2000 to November 2003 by whom 17173.com was developed. Mr. Cai also worked as the chief executive officer of 17173.com, which is acquired by Sohu.com Inc., a company listed on NASDAQ (Stock Code: SOHU), from November 2003 to January 2005 and a consultant for both Beijing Sohu New Era Information Technology Co., Ltd.* (北京搜狐新時代信息技術有限公司) and 17173.com from January 2005 to June 2005. Mr. Cai graduated from Fuzhou University (福州大學) with a college diploma in computer and accounting in June 1998. In the three years preceding the date of this annual report, Mr. Cai had not been a director of any other listed company.

Mr. **Yuan Chi (池元)**, aged 58, was appointed as an executive Director of the Company on 16 August 2007 and is the senior vice president. Mr. Chi is one of the Founders and he is primarily responsible for the game development of the Group. Mr. Chi has approximately 17 years of experience in information technology industry. Prior to joining the Group, Mr. Chi worked as the general manager of Fujian Window Network Information Co., Ltd.* (福建之窗網絡信息有限公司) (www.66163.com) from April 1998 to June 2007. He was the vice president of Fujian Rongji Software Co., Ltd.* (福建榕基軟件股份有限司), a company listed on Shenzhen Stock Exchange (Stock Code: 002474), from November 2000 to September 2003. Mr. Chi also worked at Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機信息網絡技術有限公司) from October 2003 to November 2007. Mr. Chi graduated from Fuzhou University with a bachelor's degree in water resources and hydropower engineering in July 1982 and a master degree in hydraulic structure in March 1990. Save as disclosed above, in the three years preceding the date of this annual report, Mr. Chi had not been a director of any other listed company.

Non-executive Directors

Mr. Xiaojun Li (李驍軍), aged 41, was appointed as a non-executive Director on 30 November 2007. Mr. Li has approximately 10 years of experience in corporate management and venture capital. He has been the partner of IDG Capital Partners since August 2006 and acted as the vice president of IDG Technology Venture Investment Fund from September 2004 to August 2006. Mr. Li graduated from University of California Los Angeles with a master degree in electronic engineering in September 1996. He obtained a master of business administration from Wharton Business School at the University of Pennsylvania in May 2004. In the three years preceding the date of this annual report, Mr. Li had not been a director of any other listed company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kee Lock Chua (蔡其樂), aged 53, was appointed as a non-executive Director on 12 November 2008. Mr. Chua serves as the independent director on the board of directors of Logitech International S.A., which is listed in the U.S. and Switzerland. He also serves as an independent director of Yongmao Holdings Ltd., which is listed on the Singapore Stock Exchange. In addition, he is a member of Mainly I Love Kids (MILK) Charity. Mr. Chua is currently the group president and chief executive officer of Vertex Venture Holdings Ltd and he is also a director of Vertex. He was also the president and executive director of Biosensors International Group, Ltd, a deputy president of NatSteel Group (now known as NSL Ltd) and a president of MediaRing.com Ltd (now known as S i2i Limited) all of which are listed on the Singapore Stock Exchange. Mr. Chua served as an independent director of SHC Capital Asia Limited, which is listed on the Singapore Stock Exchange from March 2012 to May 2014. Mr. Chua graduated from University of Wisconsin-Madison with a bachelor's degree in mechanical engineering in 1984. He also graduated from Stanford University with a master's degree in science in 1987. Save as disclosed above, in the three years preceding the date of this annual report, Mr. Chua had not been a director of any other listed company.

Independent Non-executive Directors

Dr. Horn Kee Leong (梁漢基), aged 62, was appointed as an independent non-executive Director on 16 September 2013. Dr. Leong is currently the chairman of CapitalCorp Partners Private Limited and a member of the Securities Industry Council of Singapore. He has been Singapore's Non-resident High Commissioner to Cyprus since July 2014. Since 1983, until prior to joining CapitalCorp Partners Private Limited, Dr. Leong held various management positions including as an executive director and consultant of Far East Organization Centre Pte. Ltd., the chief executive officer of Yeo Hiap Seng Ltd, the managing director of Orchard Parade Holdings Limited, a corporate finance director of Rothschild (Singapore) Limited. From 1977 to 1983, Dr. Leong held various positions at the Ministry of Finance and at the Ministry of Trade & Industry of Singapore. He was a member of Parliament of Singapore from 1984 to 2006. He was Singapore's non-resident ambassador to Mexico from September 2006 to February 2013. In addition to the above, Dr. Leong held directorships in the following listed companies in the past three years preceding the date of this annual report:

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Name of company	Position
October 2013-present	VIVA Industrial Trust Management Pte Ltd, which is the management company of Viva Industrial Trust listed on Singapore Stock Exchange	Chairman of the board
June 2013-present	SPH Reit Management Pte Ltd, which is the management company of SPH Reit listed on Singapore Stock Exchange	Chairman of the board
4 November 2010-present	Amtek Engineering Ltd, listed on Singapore Stock Exchange	Independent non-executive director
19 January 2001-present	Tat Hong Holdings Ltd, listed on Singapore Stock Exchange	Independent non-executive director
30 June 2000-present	Wilmar International Limited, listed on Singapore Stock Exchange	Independent non-executive director
9 September 2008-20 November 2014	China Energy Limited, listed on Singapore Stock Exchange	Independent non-executive director
15 December 2000-28 April 2014	ECS Holdings Limited, listed on Singapore Stock Exchange	Independent non-executive director (Lead independent director from 1 January 2013 to 28 April 2014)
17 August 2009-30 September 2013	Linair Technologies Limited, listed on Singapore Stock Exchange	Independent non-executive director
18 July 2007-20 April 2012	Kian Ho Bearings Ltd, listed on Singapore Stock Exchange	Non-independent non-executive director

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Leong graduated from Loughborough University with a bachelor degree of technology in production engineering and management in July 1975. He completed distance learning and obtained a bachelor degree of science in economics from University of London in August 1979 and he also finished part time study and obtained a bachelor degree of arts in Chinese Language and Literature from Beijing Normal University* (北京師範大學) in March 2009. Dr. Leong graduated from the European Institute of Business Administration (INSEAD) with a master degree of business administration in 1980 and he also finished part time study and obtained a master degree of business research from the University of Western Australia in September 2009. He also graduated from the University of Western Australia with the degree of doctor of business administration in September 2013. Save as disclosed above, in the three years preceding the date of this annual report, Dr. Leong had not been a director of any other listed company.

Mr. Dajian Yu (佘大堅), aged 66, was appointed as an independent non-executive Director on 16 September 2013. Mr.Yu has approximately 14 years of experience in venture capital investment and in senior management in semiconductor, electronic, IT and pharmaceutical industries. Since March 2014, Mr. Yu was appointed as the director of Tricopian, LLC., Akros Silicon Inc. and Chelsio Communications. Since 2010, he has been the vice preside of Silicon Valley China Venture Management LLC and the director of three portfolio companies, Cadeka Technology Holding Ltd., Effecient Drivetrains, Inc and Consensic International Inc. He has also been the partner of BayHill Partners since 1999. Mr. Yu held senior management positions at several companies, including director of operations at General Parametrics Corporation from 1985 to 1996, vice president at Topology Corporation from 1996 to 1999, and vice president of Fuzhou Tianmeng from 2009 to 2010. Mr. Yu graduated from South China University of Technology (華南理工大學) (formerly known as South China Technology College* (華南工學院)) with a bachelor's degree in electrical engineering in July 1982. In the three years preceding the date of this annual report, Mr. Yu had not been a director of any other listed company.

Ms. Zhao Lu (陸釗), aged 47, was appointed as an independent non-executive Director on 16 September 2013. Ms. Lu is currently the president of Fujian New Media Animation Game Associate* (福建省動漫遊戲協會新媒體產業聯盟). She was the general manager of Fuzhou Lingdong Network Science and Technology Co., Ltd.* (福州靈動網絡科技有限公司) from February 2009 to December 2012 and the general manager of Tian Liang Customer Service* (天亮客服) of Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機網絡信息技術有限公司) from December 2003 to February 2009. Ms. Lu graduated from Beijing University of Posts and Telecommunications* (北京郵電大學) (formerly known as Beijing Institute of Posts and Telecommunications* (北京郵電學院)) with a bachelor degree in compunication in July 1989. In the three years preceding the date of this annual report, Ms. Lu had not been a director of any other listed company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Yuan Xu (許元), aged 39, is the Group's chief operating officer. Mr. Xu has approximately 15 years of experience in project and corporate management. He joined the Group in September 2007 and is primarily responsible for business operation and development of the Group outside the PRC. Prior to joining the Group, Mr. Xu worked as a graduate researcher at University of California, Santa Cruz, from September 1999 to July 2004. He also worked at Nanoconduction Inc as a project leader from September 2004 to June 2007. Mr. Xu graduated from Beijing University of Technology* (北京工業大學) with a bachelor's degree in applied physics in July 1998. He also graduated from University of California, Santa Cruz, with a degree of doctor of philosophy in electrical engineering in June 2004.

Mr. Hong Zhang (張竑), aged 43, is the Group's chief technology officer and senior vice president of global operations. Mr. Zhang has approximately 18 years of experience in information technology industry. He joined the Group in December 2008 and is primarily responsible for the overall technology operation of the Group. Prior to joining the Group, Mr. Zhang worked at Charles Schwab as a senior staff technology from August 2000 to November 2005. He was also employed by Corporate Computer Services Inc. from November 2005 to November 2008 as a software engineer, assigned to Barclays Global Investors as an information technology consultant. Mr. Zhang graduated from Zhejiang University* (浙江大學) with a bachelor's degree in engineering in June 1994, a master degree in engineering in June 1997. He also graduated from University of California, San Francisco, with a master degree in science in September 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhixiang Chen (陳智祥), aged 37, is the Group's senior vice president and a director of IGG Singapore. Mr. Chen has approximately 11 years of experience in online game industry. He is primarily responsible for the business operation and development of the Group in the PRC. Mr. Chen joined the Group in December 2005 and participated in founding the Group and the IGG.com platform from December 2005 to June 2006. He was the Group's chief operation officer from December 2007 to June 2009. He was the president of IGG Singapore from August 2009 to August 2012, responsible for expanding the Group's overseas (South East Asia) business. Prior to joining the Group, Mr. Chen worked at Beijing Sohu New Era Information Technology Co., Ltd. Fuzhou branch from June 2004 to September 2004 and from January 2005 to November 2005. Mr. Chen graduated from Fujian Normal University* (福建師範大學) with a bachelor's degree in mathematics education in July 1999. He also obtained a second bachelor's degree in software engineering from Xiamen University* (廈門大學) in July 2004.

Ms. Jessie Shen (沈潔蕾), aged 44, is the Group's chief financial officer and one of the joint company secretaries. Ms. Shen has approximately 18 years of experience in accounting and corporate finance. She was appointed as the chief financial officer of the Group on 10 November 2014. She joined the Group in March 2009 as the senior vice president of finance and has been primarily responsible for corporate finance, accounting and tax management of the Group. Prior to joining the Group, she worked as an auditor at Diwan, Ernst & Young from July 1992 to August 1994, and a finance associate manager of Aurora Corporation, a company listed on the Taiwan Stock Exchange (Stock Code: 2373), from March 1995 to March 1998 and from August 2001 to January 2002. Ms. Shen also held finance and company secretary positions at Rock Mobile Group from January 2003 to March 2007. She worked at Neo Solar Power Corp., a company listed on Taiwan Stock Exchange (Stock Code: 3576), as a finance manager from December 2007 to March 2009. Ms. Shen graduated from Tunghai University with a bachelor's degree in accounting in June 1992. She also graduated from Rutgers, The State University of New Jersey with a master degree in business administration in October 1999. Ms. Shen passed the exam of a certified public accountant in both Washington State and Taiwan, and was a member of the Institute of Internal Auditors and a member of Taiwan Institute of Internal Auditors* (中華民國內部稽核協會).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company.

The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders.

Except for the following deviations from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the Corporate Governance Code for the year ended 31 December 2014.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Model Code

The Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions for the year ended 31 December 2014 and up to the date hereof.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional, industry expertise or management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Dr. Horn Kee Leong, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 5.05(2) of the GEM Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 5.09 of the GEM Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

Board Diversity Policy

Pursuant to the Corporate Governance Code, the Board adopted a board diversity policy on 19 September 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis based on its business needs from time to time while taking into account of diversity, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee of the company will also give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the board diversity policy on a regular basis to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development for the year ended 31 December 2014:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management/Industry or Other Professional Skills	
Name of Director	**Read materials**	**Attend Seminars/ Briefings**	**Read materials**	**Attend Seminars/ Webinars/ Briefings**
Executive Directors				
Mr. Zongjian Cai	√	√	√	√
Mr. Yuan Chi	√	√	√	√
Non-executive Directors				
Mr. Xiaojun Li	√	√	√	√
Mr. Kee Lock Chua	√	√	√	√
Independent non-executive Directors				
Dr. Horn Kee Leong	√	√	√	√
Mr. Dajian Yu	√	√	√	√
Ms. Zhao Lu	√	√	√	√

CORPORATE GOVERNANCE REPORT

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications.

The individual attendance record of each Director at the meetings of the Board and the general meetings for the year ended 31 December 2014 is set out below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. Zongjian Cai *(Chairman and chief executive officer)*	11/11	1/1
Mr. Yuan Chi	11/11	1/1
Non-executive Directors		
Mr. Xiaojun Li	11/11	1/1
Mr. Kee Lock Chua	11/11	1/1
Independent non-executive Directors		
Dr. Horn Kee Leong	11/11	1/1
Mr. Dajian Yu	11/11	1/1
Ms. Zhao Lu	11/11	1/1

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the joint company secretaries of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the Articles of Association of the Company, as well as relevant rules and regulations.

CORPORATE GOVERNANCE REPORT

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years commencing from the date of the respective service contracts and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a specific term of three years commencing from the date of the respective service contracts and will automatically continue for another three years thereafter until terminated by not less than two months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The above service contracts are subject to retirement by rotation and re-election of the Directors at an annual general meeting at least once every three years in accordance with the Articles of Association.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Board Committees

The Board has established (i) audit committee, (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the Board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.igg.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The Company has established an audit committee on 5 December 2008 and adjusted composition of the audit committee on 16 September 2013 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among other things, to review and to supervise the financial reporting process and internal control systems of the Group. The audit committee comprises all non-executive Directors and all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Xiaojun Li, Mr. Kee Lock Chua, Mr. Dajian Yu, and Ms. Zhao Lu.

The audit committee had reviewed the Group's audited annual results for the year ended 31 December 2013, the Group's unaudited quarterly results for the three months ended 31 March 2014, the Group's unaudited interim results for the six months ended 30 June 2014 and the Group's unaudited quarterly results for the nine months ended 30 September 2014 and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control of the Group during the year of 2014. During the year, the audit committee also held a meeting with the external auditors without the presence of any members of management of the Company.

For the year ended 31 December 2014, four meetings were held by the audit committee. The individual record of each member of the audit committee at the meeting of the audit committee is set out below:

Name of Director	**Attendance/ Number of Audit Committee Meeting(s)**
Dr. Horn Kee Leong	4/4
Mr. Xiaojun Li	4/4
Mr. Kee Lock Chua	4/4
Mr. Dajian Yu	4/4
Ms. Zhao Lu	4/4

Remuneration Committee

The Company established a remuneration committee on 5 December 2008 and adjusted composition of the remuneration committee on 16 September 2013 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the remuneration committee are, among other things, to evaluate the performance, and to make recommendation to the Board on the remuneration package of the Directors and senior management. The remuneration committee consists of three members, namely, the independent non-executive Director, Ms. Zhao Lu (chairman of the remuneration committee), the executive Director, Mr. Zongjian Cai and the independent non-executive Director, Mr. Dajian Yu.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2014, the remuneration committee surveyed peer companies' remuneration package and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed granting of share options under the Share Option Scheme and granting of awarded shared under the Share Award Scheme and benefit plan to key employees.

For the year ended 31 December 2014, four meetings were held by the remuneration committee. The individual record of each member of the remuneration committee at the meeting of the remuneration committee is set out below:

Name of Director	Attendance/ Number of Remuneration Committee Meeting(s)
Ms. Zhao Lu	4/4
Mr. Dajian Yu	4/4
Mr. Zongjian Cai	4/4

Nomination Committee

The Company established a nomination committee on 16 September 2013 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the nomination committee are to, among other things, nominate potential candidates for directorship, to review the nomination of directors, to make recommendations to the Board on terms of such appointment and review the board diversity policy. Their written terms of reference are in line with the Corporate Governance Code provisions. The nomination committee consists of four members, namely, the independent non-executive Director, Dr. Horn Kee Leong (chairman of the nomination committee), the independent non-executive Director, Mr. Dajian Yu, the executive Director, Mr. Zongjian Cai and the independent non-executive Director, Ms. Zhao Lu.

The nomination committee reviewed the structure, size and composition of the Board during the year of 2014.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2014, one meeting was held by the nomination committee. The individual record of each member of the nomination committee at the meeting of the nomination committee is set out below:

Name of Director	Attendance/ Number of Nomination Committee Meeting(s)
Dr. Horn Kee Leong	1/1
Mr. Dajian Yu	1/1
Ms. Zhao Lu	1/1
Mr. Zongjian Cai	1/1

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with GEM Listing Rules, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules and disclosure in the corporate governance report. During the year ended 31 December 2014, the Board reviewed and determined the policy for the corporate governance of the Company.

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong. Ms. Yin Ping Yvonne Kwong, vice president of SW Corporate Services Group Limited, an external service provider, has been engaged by the Company as its company secretary to act jointly with Ms. Jessie Shen (appointed on 9 July 2013). The primary contact person at the Company is Ms. Jessie Shen. Please refer to the paragraph headed "Procedures by which enquiries may be put to the Board" in this section for contact details. The biographical details of Ms. Jessie Shen are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Both Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong have informed the Company that their trainings covering corporate governance and accounting matters satisfy the requirements under the Rule 5.15 of the GEM Listing Rules during the year of 2014. The Company considers that the training of each of the joint company secretaries is in compliance with the requirements under Rule 5.15 of the GEM Listing Rules during the year of 2014.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Ernst & Young, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

Auditor's Remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages Ernst & Young as its external auditors. Details of the fees paid/payable to Ernst & Young during the year ended 31 December 2014 are as follows:

	USD' 000
Audit services	517.3
Non-audit services	186.0
	703.3

Note: The non-audit services mainly covered tax compliance and consulting services.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

During the year of 2014, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has been implemented effectively. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to the Article 58 of the Articles of Association, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Ms. Jessie Shen, one of the joint company secretaries of the Company via following:

Address: 19/F, Cheung Kong Center, 2 Queen's Road Central, HK
Telephone no.: (852) 3469 5132
Fax no.: (852) 3469 5000
Email: jessie@igg.com
Attention: Jessie Shen

The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

CORPORATE GOVERNANCE REPORT

Constitutional Documents

There has been no change in the Company's constitutional documents for the year ended 31 December 2014.

Communications with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.igg.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategies, operations, management and plans. Members of the Board and of the various Board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is a fast-growing global online games (especially mobile games) developer and operator with headquarters in Singapore and regional offices in the United States, China, Canada, Japan, Korea, Thailand, and the Philippines. There has been no significant change in the Group's principal activities during the year of 2014.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2014 are set out in note 18 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last three financial years, as extracted from the published audited financial statements, is set out on page 163 to 164 of the annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 66 to 162 of this annual report.

On 21 March 2014, the Board proposed to declare a final dividend of HK1.6 cents per ordinary Share (equivalent to US0.2 cents per ordinary Share), amounting to approximately US$2.9 million, which was approved by Shareholders at the annual general meeting on 9 May 2014. Such dividend has been paid on 29 May 2014.

On 8 August 2014, the Board resolved to declare a first interim dividend of HK5.6 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share), amounting to approximately US$9.8 million. Such dividend has been paid on 5 September 2014.

On 9 March 2015, the Board resolved to declare a second interim dividend of HK5.7 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share), amounting to approximately US$10.0 million and a special dividend of HK11.3 cents per ordinary Share (equivalent to US1.5 cents per ordinary Share), amounting to approximately US$20.0 million. Such dividend will be paid on or about 15 April 2015.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled on 5 May 2015. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 30 April 2015 to 5 May 2015 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates must be lodged with the Company' s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 29 April 2015.

INTEREST OF COMPLIANCE ADVISER

As notified by China Everbright Capital Limited ("**China Everbright**"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2014.

RESERVES

Details of movements in reserves of the Group for the year ended 31 December 2014 are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statement.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately US$106 million. The amount of approximately US$106 million represents the Company's share premium account of approximately US$175 million and accumulated deficits of approximately US$69 million in aggregate as at 31 December 2014, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 15 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in share capital of the Company for the year ended 31 December 2014 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors for the year ended 31 December 2014 and as of the date of this annual report were:

Executive Directors
Mr. Zongjian Cai *(Chairman)*
Mr. Yuan Chi

Non-Executive Directors
Mr. Xiaojun Li
Mr. Kee Lock Chua

Independent Non-Executive Directors
Dr. Horn Kee Leong
Mr. Dajian Yu
Ms. Zhao Lu

In accordance with article 84 of the Company's articles of association, Mr. Kee Lock Chua, Dr. Horn Kee Leong and Ms. Zhao Lu will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 19 to 24 of this annual report.

DIRECTORS' REPORT

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

(a) **Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures**

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions

Name	Capacity/Nature of interest	Number of Shares	Appropriate percentage of shareholding	Number of Underlying Shares	Approximate percentage of shareholding
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,003,179 *(Notes 1, 3)*	32.54%	16,106,000 *(Notes 3,4,5)*	1.18%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	446,003,179 *(Notes 2, 3)*	32.54%	16,106,000 *(Notes 3,4,5)*	1.18%
Mr. Xiaojun Li	Beneficial owner	—	—	350,000 *(Note 6)*	0.03%
Mr. Chua Kee Lock	Beneficial owner	—	—	350,000 *(Note 7)*	0.03%
Dr. Leong Horn Kee	Beneficial owner	—	—	250,000 *(Note 8)*	0.02%
Ms. Zhao Lu	Beneficial owner	—	—	250,000 *(Note 9)*	0.02%
Mr. Dajian Yu	Beneficial owner	400,000	0.03%	250,000 *(Note 10)*	0.02%

Notes:

(1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online Holdings Limited ("Duke Online") and he is the sole director of Duke Online, therefore, he is deemed to be interested in 178,699,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is also deemed to be interested in all Shares held by Ms. Kai Chen under the SFO.

(2) Mr. Yuan Chi is interested in 80% issued share capital of Edmond Online Holdings Limited ("Edmond Online") and he is the sole director of Edmond Online, therefore he is deemed to be interested in 158,080,000 Shares held by Edmond Online under the SFO.

(3) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen expect that the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any. Mr. Yuan Xu is the beneficial owner of 46,474,160 Shares and is also deemed to be interested in the 4,000,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme. Mr. Hong Zhang is the beneficial owner of 14,702,040 Shares and is also deemed to be interested in the 9,200,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme.

(4) Mr. Zongjian Cai is deemed to be interested in the 291,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 135,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 213,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 168,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme.

(5) Mr. Zongjian Cai is deemed to be interested in the 757,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 351,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 554,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 437,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme.

(6) Mr. Xiaojun Li is deemed to be interested in 350,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.

(7) Mr. Chua Kee Lock is deemed to be interested in 350,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.

(8) Dr. Leong Horn Kee is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.

(9) Ms. Zhao Lu is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.

(10) Mr. Dajian Yu is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.

Save as disclosed above, as of 31 December 2014, none of the Directors and chief executive of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

DIRECTORS' REPORT

(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares

So far as were known to the Directors or chief executive of the Company, as at 31 December 2014, the following persons had interests and/or short positions of 5% or more of the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Appropriate percentage of shareholding	Number of Underlying Shares	Approximate percentage of shareholding
Duke Online Holdings Limited	Beneficial owner, interests held jointly with another person	446,003,179 *(Notes 1, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,003,179 *(Notes 1, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
Edmond Online Holdings Limited	Beneficial owner, interests held jointly with another person	446,003,179 *(Notes 2, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	446,003,179 *(Notes 2, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
Mr. Yuan Xu	Beneficial owner, interests held jointly with another person	446,003,179 *(Notes 3, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
Mr. Hong Zhang	Beneficial owner, interests held jointly with another person	446,003,179 *(Notes 4, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
Ms. Kai Chen	Beneficial owner, spouse interest, interests held jointly with another person	446,003,179 *(Notes 5, 6)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%

Name	Capacity/Nature of interest	Number of Shares	Appropriate percentage of shareholding	Number of Underlying Shares	Approximate percentage of shareholding
Mr. Zhixiang Chen	Beneficial owner, interests held jointly with another person	446,003,179 *(Notes 6, 9)*	32.54%	16,106,000 *(Notes 3,4,6,7,8)*	1.18%
IDG-Accel China Growth Fund II L.P.	Beneficial owner	175,892,880 *(Note 10)*	12.83%	—	—
IDG-Accel China Growth Fund II Associates L.P.	Interest in a controlled corporation	175,892,880 *(Note 10)*	12.83%	—	—
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in a controlled corporation	190,277,880 *(Note 10)*	13.88%	—	—
Ho Chi Sing	Interest in a controlled corporation	190,277,880 *(Note 10)*	13.88%	—	—
Zhou Quan	Interest in a controlled corporation	190,277,880 *(Note 10)*	13.88%	—	—
Vertex	Beneficial owner	119,225,000 *(Note 11)*	8.70%	—	—
Temasek Holdings (Private) Limited	Interest in a controlled corporation	119,225,000 *(Note 11)*	8.70%	—	—

DIRECTORS' REPORT

Notes:

(1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online Holdings Limited ("Duke Online") and he is the sole director of Duke Online, therefore, he is deemed to be interested in 178,699,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is also deemed to be interested in all Shares held by Ms. Kai Chen under the SFO.

(2) Mr. Yuan Chi is interested in 80% issued share capital of Edmond Online Holdings Limited ("Edmond Online") and he is the sole director of Edmond Online, therefore he is deemed to be interested in 158,080,000 Shares held by Edmond Online under the SFO.

(3) Mr. Yuan Xu is the beneficial owner of 46,474,160 Shares and is also deemed to be interested in the 4,000,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme.

(4) Mr. Hong Zhang is the beneficial owner of 14,702,040 Shares and is also deemed to be interested in the 9,200,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme.

(5) Ms. Kai Chen is the beneficial owner of 17,847,952 Shares and she is also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

(6) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen expect that the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.

(7) Mr. Zongjian Cai is deemed to be interested in the 291,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 135,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 213,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 168,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme.

(8) Mr. Zongjian Cai is deemed to be interested in the 757,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 351,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 554,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 437,000 Shares which may be issued to him upon the exercise of the share options granted to him on 11 August 2014 under the Share Option Scheme.

(9) Mr. Zhixiang Chen is the beneficial owner of 30,200,000 Shares.

DIRECTORS' REPORT

(10) IDG-Accel China Growth Fund II L.P., holds 175,892,880 Shares and IDG-Accel China Investors II L.P., holds 14,385,000 Shares. Each of them is a limited partnership and is managed by its general partner, who has the full and exclusive power and authority to manage and control the fund and its business. Each of them also consists of limited partner or limited partners who merely play the passive function of injecting capital into the fund and have no voting or management right. The funds mainly engage in equity investment in portfolios with China-related business and operations.

IDG-Accel China Growth Fund II L.P. is controlled by its general partner, namely, IDG-Accel China Growth Fund II Associates L.P., which is, in turn, controlled by its general partner, namely, IDG-Accel China Growth Fund GP II Associates Ltd. Therefore, each of IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all Shares held by IDG-Accel China Growth Fund II L.P. under the SFO.

IDG-Accel China Investors II. L.P. is controlled by its general partner, IDG-Accel China Growth Fund GP II Associates Ltd. Therefore, IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all Shares held by IDG-Accel China Investors II. L.P. under the SFO.

Each of Ho Chi Sing and Zhou Quan is the controlling shareholder of IDG-Accel China Growth Fund GP II Associates Ltd. and therefore deemed to be interested in all Shares held by IDG-Accel China Growth Fund GP II Associates Ltd. under the SFO.

(11) Vertex is 100% owned by Vertex Venture Holdings Limited, which is ultimately owned by Temasek Holdings (Private) Limited.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company has adopted a Pre-IPO Share Option Scheme on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013. The purpose of the Pre-IPO Share Option Scheme is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares. The principal terms of the Pre-IPO Share Option Scheme are summarised as follows:

(a) the exercise price of the options granted on respective dates are:

Date of grant	Exercise price
20 January 2007, 1 July 2007	US$0.004026
1 July 2008	US$0.008052
5 December 2008, 19 March 2009	US$0.03775
1 August 2009, 1 November 2009	US$0.05
18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011	US$0.0525
2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, 31 March 2013	US$0.0865

(b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 86,208,000 Shares as at the Listing Date, and no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;

(c) all share options granted under the Pre-IPO Share Option Scheme shall vest according to the following schedule:

Period within which option can be exercised	Maximum percentage of entitlement
Any time after the date when the options are granted (the "First Granting Date"), subject to Grantee's completion of 12 months' continuous service	25%
Any time after the first anniversary of the First Granting Date, subject to Grantee's completion of 12 months' continuous service	25%
Any time after the second anniversary of the First Granting Date, subject to Grantee's completion of 12 months' continuous service	25%
Any time after the third anniversary of the First Granting Date, subject to Grantee's completion of 12 months' continuous service	25%

(d) the exercise period for each share option granted under the Pre-IPO Share Option Scheme commences from the relevant vesting date and ends 10 years after the date of grant.

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2014 by category of grantees were as follows:

	Number of Pre-IPO share options				
Category of grantees	**Outstanding as at 31 December 2013**	**Exercised during the year under review**	**Lapsed/ forfeited during the year under review**	**Cancelled during the year under review**	**Outstanding as at 31 December 2014**
Senior management	19,200,000	6,000,000	—	—	13,200,000
Connected persons (other than members of the senior management)	10,040,000	145,000	—	—	9,895,000
Other grantees who have been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	10,948,000	110,000	—	—	10,838,000
Other grantees (total 194 grantees)	45,870,000	5,378,500	750,000	—	39,741,500
Total	86,058,000	11,633,500	750,000 (Note 1)	—	73,674,500

Note:

1. The share options were lapsed due to the employment termination of the employees of the Group pursuant to the Pre-IPO Share Option Scheme.

Saved as disclosed above, no share options under the Pre-IPO Share Option Scheme were exercised, lapsed or cancelled during the year ended 31 December 2014.

DIRECTORS' REPORT

Share Option Scheme

The Company has adopted the Share Option Scheme on 16 September 2013 to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives (as defined in the Share Option Scheme), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 130,973,709 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The subscription price of the options is determined by the Board in its absolute discretion at the time of grant of the relevant option and shall not be less than whichever is the highest of:

(a) the nominal value of a Share on the offer date;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

On 25 March 2014, the Board (including all independent non-executive Directors) resolved to grant a total of 3,700,000 share options to subscribe for the ordinary Shares of US$0.0000025 each in the share capital of the Company, pursuant to the Share Option Scheme, subject to the acceptance by the grantees.

DIRECTORS' REPORT

On 12 May 2014, the Board (including all independent non-executive Directors) resolved to grant a total of 2,750,000 share options to subscribe for the ordinary Shares of US$0.0000025 each in the share capital of the Company, pursuant to the Share Option Scheme, subject to the acceptance by the grantees.

On 11 August 2014, the Board (including all independent non-executive Directors) resolved to grant a total of 4,164,000 share options to subscribe for the ordinary Shares of US$0.0000025 each in the share capital of the Company, pursuant to the Share Option Scheme, subject to the acceptance by the grantees.

On 21 November 2014, the Board (including all independent non-executive Directors) resolved to grant a total of 1,267,000 share options to subscribe for the ordinary Shares of US$0.0000025 each in the share capital of the Company, pursuant to the Share Option Scheme, subject to the acceptance by the grantees.

Pursuant to 23.07(1) of the GEM Listing Rules, particulars and movements of share options under the Share Option Scheme during the year ended 31 December 2014 by category of grantees were as follows:

			Number of share options			
Category of grantees	**Date of grant**	**Exercise price per Share**	**Outstanding as at 31 December 2013**	**Granted during the year under review**	**Lapsed/ forfeited during the year**	**Outstanding as at 31 December 2014**
Directors						
Mr. Zongjian Cai	25 March 2014	HK$8.96	—	291,000	—	291,000
Mr. Yuan Chi	25 March 2014	HK$8.96	—	135,000	—	135,000
Other connected persons						
Mr. Yuan Xu	25 March 2014	HK$8.96	—	213,000	—	213,000
Mr. Hong Zhang	25 March 2014	HK$8.96	—	168,000	—	168,000
Ms. Meijia Chen (a director of IGG HK)	25 March 2014	HK$8.96	—	288,000	—	288,000
Mr. Hanling Fang (a director of IGG Philippines)	25 March 2014	HK$8.96	—	299,000	—	299,000
Other employees and eligible persons	25 March 2014	HK$8.96	—	2,306,000	206,500	2,099,500
Directors						
Mr. Xiaojun Li	12 May 2014	HK$5.88	—	350,000	—	350,000
Mr. Kee Lock Chua	12 May 2014	HK$5.88	—	350,000	—	350,000
Dr. Horn Kee Leong	12 May 2014	HK$5.88	—	250,000	—	250,000
Mr. Dajian Yu	12 May 2014	HK$5.88	—	250,000	—	250,000
Ms. Zhao Lu	12 May 2014	HK$5.88	—	250,000	—	250,000
Other employees and eligible persons	12 May 2014	HK$5.88	—	1,300,000	—	1,300,000

DIRECTORS' REPORT

			Number of share options			
Category of grantees	**Date of grant**	**Exercise price per Share**	**Outstanding as at 31 December 2013**	**Granted during the year under review**	**Lapsed/ forfeited during the year**	**Outstanding as at 31 December 2014**
Directors						
Mr. Zongjian Cai	11 August 2014	HK$5.47	—	757,000	—	757,000
Mr. Yuan Chi	11 August 2014	HK$5.47	—	351,000	—	351,000
Other connected persons						
Mr. Yuan Xu	11 August 2014	HK$5.47	—	554,000	—	554,000
Mr. Hong Zhang	11 August 2014	HK$5.47	—	437,000	—	437,000
Ms. Meijia Chen (a director of IGG HK)	11 August 2014	HK$5.47	—	265,000	—	265,000
Other employees and eligible persons	11 August 2014	HK$5.47	—	1,800,000	—	1,800,000
Other employees and eligible persons	21 November 2014	HK$3.51	—	1,267,000	—	1,267,000
Total			—	11,881,000	206,500	11,674,500

25 March 2014

Share options granted on 25 March 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

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

12 May 2014

Share options granted on 12 May 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

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

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

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

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

11 August 2014

Share options granted on 11 August 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

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

DIRECTORS' REPORT

21 November 2014

Share options granted on 21 November 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Share option vesting period	Percentage of share options to vest
On or after 21 November 2015	25% of the total number of share options granted
On or after 21 November 2016	25% of the total number of share options granted
On or after 21 November 2017	25% of the total number of share options granted
On or after 21 November 2018	25% of the total number of share options granted

Save as disclosed above, during the year ended 31 December 2014, no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

SHARE AWARD SCHEME

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 (the "**Adoption Date**"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at their absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Share Award Scheme. The awarded shares (where the Board has determined such number pursuant to the terms of the Share Award Scheme) ("**Awarded Shares**") shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the shareholders of the Company in the annual general meeting of the Company from time to time, unless separate shareholders' approval is obtained in a general meeting of the Company, or (ii) acquired by Computershare Hong Kong Trustees Limited, as the trustee ("**Trustee**") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board. The Company will grant loan to the Trustee to enable the Scheme to operate with necessary funds to purchase and/or subscribe for Shares. The vesting period shall, in any event, be no longer than ten years.

It is intended that the Awarded Shares under the Share Award Scheme will be offered to the selected grantees to take up the relevant Awarded Shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the Awarded Shares under the Scheme.

Awarded Shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the reference date (the date of final approval by the Board of the total number of Shares to be awarded to the selected grantees in a single occasion pursuant to the Share Award Scheme or the date of an award by the Trustee pursuant to the trust deed) and on each relevant vesting date(s) an eligible person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the Awarded Shares can vest.

The Board shall not make any further award which will result in the number of shares awarded by the Board under the Share Award Scheme would represent in excess of 10% of the issued share capital of the Company as at the Adoption Date. In any event, the unvested shares held by the trustee at any time shall be less than 5% of the issued share capital of the Company. The maximum number of Shares to all Controlling Shareholders which may be subject to an award or awards in any of the 12 months shall not in aggregate exceed 2% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

During the year ended 31 December 2014, the Company granted the awarded shares as followings:

25 March 2014

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

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

11 August 2014

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

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

DIRECTORS' REPORT

21 November 2014

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

Share award vesting date	Percentage of awarded shares to vest
On 21 November 2015	25% of the total number of awarded shares granted
On 21 November 2016	25% of the total number of awarded shares granted
On 21 November 2017	25% of the total number of awarded shares granted
On 21 November 2018	25% of the total number of awarded shares granted

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

The Company was informed by the Trustee that (1) from 28 March 2014 to 4 April 2014, it had purchased an aggregate of 2,255,000 Shares of the Company's existing Shares on the market, representing approximately 0.166% of the issued share capital of the Company as of 4 April 2014, with a total consideration of HK$17,840,905.74 for the purpose of the Share Award Scheme and (2) from 20 August 2014 to 26 September 2014, it had purchased an aggregate of 3,474,000 Shares of the Company's existing Shares on the market, representing approximately 0.25% of the issued share capital of the Company as of 26 September 2014, with a total consideration of HK$15,499,742.52 for the purpose of the Share Award Scheme.

Particulars of the movements of the awarded shares under the Share Award Scheme during the year are as followings:

Date of Grant	Outstanding as at 31 December 2013	Grant during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2014
25 March 2014	—	1,560,000	—	159,000	1,401,000
11 August 2014	—	903,219	—	5,667	897,552
21 November 2014	—	331,600	—	—	331,600
Total	—	2,794,819	—	164,667	2,630,152

Note: Some awarded shares were lapsed due to employment termination.

Save as disclosed above, during the year ended 31 December 2014, no awarded shares were granted, vested, lapsed or cancelled under the Share Award Scheme.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time for the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of Share in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014 and up to the date hereof.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2014.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the status of compliance and confirmed that the Controlling Shareholders have complied with all the undertakings under the Deed of Non-competition for the year ended 31 December 2014.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates is or was interested in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, and subsisted at the end of the year ended 31 December 2014 or at any time during the year ended 31 December 2014.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2014 are set out in note 35 to the consolidated financial statements.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

A. Non-exempt continuing connected transactions

Structured Contracts

During the year ended 31 December 2014, the transactions under the Structured Contracts entered into, among others, by Fuzhou Tianji and Fuzhou Tianmeng constituted continuing connected transactions of the Company under the GEM Listing Rules.

Fuzhou Tianmeng is currently owned by Mr. Zongjian Cai and Mr. Yuan Chi. Both Mr. Zongjian Cai and Mr. Yuan Chi are executive Directors and Controlling Shareholders of the Company and therefore connected persons of the Company under the GEM Listing Rules. Fuzhou Tianmeng is regarded as an associate of Mr. Zongjian Cai and Mr. Yuan Chi for the purpose of the GEM Listing Rules and accordingly is regarded as a connected person of the Company under the GEM Listing Rules.

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

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

(i) Call Option Agreement: on 30 November 2007, Fuzhou Tianji, Fuzhou Tianmeng and the Founders entered into an exclusive acquisition rights agreement (as supplemented by a supplemental agreement dated 16 September 2013 entered into by the same parties, collectively the "**Call Option Agreement**"), pursuant to which the Founders irrevocably granted the exclusive right to Fuzhou Tianji to require the Founders to transfer their equity interest in Fuzhou Tianmeng to Fuzhou Tianji.

(ii) Equity Pledge Agreement: on 30 November 2007, Fuzhou Tianji and the Founders entered into an equity interest pledge agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively the "**Equity Pledge Agreement**"), pursuant to which Fuzhou Tianji was entitled to exercise its rights to sell the Founders' pledged interest in the registered capital of Fuzhou Tianmeng on occurrence of certain specified events.

DIRECTORS' REPORT

(iii) Power of Attorney of Mr. Zongjian Cai: on 30 November 2007, Mr. Zongjian Cai issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Zongjian Cai, collectively the "**Power of Attorney of Mr. Zongjian Cai**"), pursuant to which Mr. Zongjian Cai authorised Fuzhou Tianji to exercise all the shareholders' rights of Mr. Zongjian Cai in Fuzhou Tianmeng.

(iv) Power of Attorney of Mr. Yuan Chi: on 30 November 2007, Mr. Yuan Chi issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Yuan Chi, collectively the "**Power of Attorney of Mr. Yuan Chi**"), pursuant to which Mr. Yuan Chi authorised Fuzhou Tianji to exercise all the shareholders' rights of Mr. Yuan Chi in Fuzhou Tianmeng.

(v) Exclusive Technical Consulting Service Agreement: on 30 November 2007, Fuzhou Tianji and Fuzhou Tianmeng entered into an exclusive technical consulting service agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, pursuant to which Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng in consideration of services fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Fuzhou Tianmeng, to be paid on a quarterly basis.

(vi) Online Game Licensing Agreement: on 16 September 2013, Fuzhou Tianji and Fuzhou Tianmeng entered in an agreement for online game licensing (the "**Online Game Licensing Agreement**"), pursuant to which Fuzhou Tianji will license various online game software to Fuzhou Tianmeng for operation in the PRC market for a consideration of an initial licensing fee and commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

Pursuant to Rule 20.103 of the GEM Listing Rules, the Company applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from (i) strict compliance with the announcement and independent Shareholders' approval of our Company, (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to Fuzhou Tianji under the Structured Contracts, and (iii) fixing the terms of the Structured Contracts to three years or less, for as long as our Shares are listed on the Stock Exchange, was sought from the Stock Exchange, subject to numerous conditions as set out in the section headed "Continuing Connected Transactions" of the Prospectus.

On-going reporting and approvals

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the year ended 31 December 2014.

DIRECTORS' REPORT

- The independent non-executive Directors have reviewed the Structured Contracts for the year ended 31 December 2014 and confirmed that for the year ended 31 December 2014: (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng deducting all related expenses, costs and the taxes payable by it has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng to its equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Structured Contracts.

- The Company has engaged Ernst & Young as its auditors to perform review procedures annually on the transactions contemplated under the Structured Contracts and the auditors have carried out review procedures for the year ended 31 December 2014 and confirmed that no dividend has been distributed by Fuzhou Tianmeng to its equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.

- The Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.

- Fuzhou Tianmeng has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

B. Continuing connected transaction exempt from independent Shareholders' approval

Research and development outsourcing agreement

During the year ended 31 December 2014, the transactions under the research and development outsourcing agreement carried out by IGG Singapore and GameCoreTech Software Corporation ("**GameCoreTech**") constituted continuing connected transactions of the Company under the GEM Listing Rules.

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

DIRECTORS' REPORT

On 16 September 2013, IGG Singapore entered into a Research and Development Outsourcing Agreement with GameCoreTech ("**Research and Development Outsourcing Agreement**"). Pursuant to the Research and Development Outsourcing Agreement entered into between GameCoreTech and IGG Singapore, GameCoreTech shall be responsible for the main planning of the mobile games softwares, art production, specific development work, allocation of development resources, project management, and delivery of various versions of the mobile games softwares to be developed by GameCoreTech in accordance with the specific instructions given by IGG Singapore from time to time for a term from 20 May 2013 to 31 December 2015, renewable for a term of at most three years upon expiry (subject to compliance with the provisions under the GEM Listing Rules regarding connected transactions). Upon expiry of the term of the Research and Development Outstanding Agreement, the Group will then review the Group's business development, market trends and Unity 3D technology related skills accumulated by the research and development team of the Group and determine whether to extend the cooperation with GameCoreTech. To the extent the Group determines to continue the cooperation, the Group will further negotiate with GameCoreTech on an arm's length basis at that time. Pursuant to the Research and Development Outsourcing Agreement, IGG Singapore agreed to pay GameCoreTech US$650,000 (excluding tax) annually, subject to annual adjustments, which is determined based on arm's length negotiation and the expected mobile games research and development costs to be involved, mainly taking into account of the prevailing market rental of GameCoreTech's office and equipment in Canada of around US$10,000 per month, the scale of employees to be involved in the research and development of softwares, their labour costs in Canada (the Company anticipates that approximately eight staff will be needed for the research and development of the mobile game softwares and the average salary will be around US$5,000 per month multiplied by 13 months) and some miscellaneous expenses of around US$10,000 per annum. The Company has obtained certain quotations for the provision of research and development services from Independent Third Parties who provide research and development services in the same industry and made comparison with that of GameCoreTech. The price of research and development services provided by GameCoreTech is comparable to that from Independent Third Parties. Details of the Research and Development Outsourcing Agreement have been set out in the Prospectus.

Pursuant to Rule 20.103 of the GEM Listing Rules, the Company has applied for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rule 20.33 of the GEM Listing Rules in relation to the announcement requirements in respect of the above continuing connected transaction.

During the year ended 31 December 2014, the aggregate amount of the transactions under the Research and Development Outsourcing Agreement was US$229,166 which was below the annual cap, under the waiver granted by the Stock Exchange of US$715,000.

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

DIRECTORS' REPORT

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

C. Confirmation of independent non-executive Directors

The independent non-executive Directors has reviewed the Structured Contracts and the Research and Development Outsourcing Agreement (collectively referred to as the "**Continuing Connected Transactions**") and confirmed that during the year ended 31 December 2014:

(i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Company;

(ii) as appropriate, the Continuing Connected Transactions are on normal commercial terms or, on terms no less favourable to the Company than terms available to or from Independent Third Parties; and

(iii) the Continuing Connected Transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

D. Confirmation of auditors of the Company

Ernst & Young, the Company's auditor, were engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedure related to continuing connected transactions, Ernst & Young confirmed that:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of US$280,116 the continuing connected transactions under consulting services agreement and research (Note 1) and Development Outsourcing Agreement, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Section "Continuing Connected Transactions" of the prospectus of the Company dated 11 October 2013 (the "Prospectus") in respect of each of the disclosed continuing connected transactions.

e. nothing has come to their attention that causes them to believe that dividend or other distribution was made by Fuzhou Skyunion Digital Co., Ltd. to its equity holders.

Ernst & Young have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 20.38 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Note:

1. The consulting services agreement is a continuing connected transaction exempt from the reporting, annual review, announcement and independent Shareholders' approval pursuant to Rule 20.33 of GEM Listing Rules. For more details, please refer to the section headed "Continuing Connected Transactions" in the Prospectus.

E. Regulatory Matters in Relation to the Structured Contracts

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

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

- The Directors will review the overall performance and compliance with the Structured Contracts and provide periodic updates in our annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations, including the latest relevant regulatory development as well as the Group's plan and progress in acquiring the relevant experience to meet these qualification requirements.

DIRECTORS' REPORT

- The Group has engaged Jingtian & Gongcheng as the Company's PRC legal advisers to provide on-going legal advice on various compliance matters. The Company's PRC legal advisers closely monitor the regulatory development applicable to us and timely inform us should there be any updates regarding the qualification requirements under the FITE Regulations.
- The Group will continue to consult with our legal advisers and compliance adviser from time to time should we have any inquiries regarding the Structured Contracts, including but not limited to the qualification requirements under the FITE Regulations.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' remuneration and five individuals with highest emoluments are set out in notes 9,10 to the consolidated financial statements.

The Company has adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme to motivate and reward Directors and eligible employees. Details of the schemes are set out in the paragraphs headed "Pre-IPO Share Option Scheme", "Share Option Scheme" and "Share Award Scheme" in this report and note 30 to the consolidated financial statements.

None of the directors waived any emoluments during the year ended 31 December 2014.

PENSION SCHEME

Particulars of the pension scheme of the Group are set out in note 4 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group consist of individual players and licensees of games of the Group. The five largest customers of the Group during the year ended 31 December 2014 accounted for 4.0% of the Group's total revenue.

The largest and five largest suppliers of the Group during the year ended 31 December 2014 accounted for 26.0% and 46.0% of the Group's total purchases respectively.

DIRECTORS' REPORT

So far as is known to the Directors, at no time during the year ended 31 December 2014 did a Director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

AUDITOR

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules for the year ended 31 December 2014 and up to the date hereof.

BANK LOAN AND OTHER BORROWINGS

The Group did not record any bank loans or other borrowings as at 31 December 2014.

On behalf of the Board
Zongjian Cai
Chairman

Hong Kong, 9 March 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話：+852 2846 9888
Fax傳真：+852 2868 4432
ey.com

To the shareholders of IGG Inc

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of IGG Inc (the "Company") and its subsidiaries (together, the "Group") set out on pages 66 to 162, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
9 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
REVENUE	7	**204,612**	87,986
Cost of sales		**(58,827)**	(22,264)
Gross profit		**145,785**	65,722
Other income and gains	7	**4,110**	592
Selling and distribution expenses		**(43,064)**	(23,246)
Administrative expenses		**(16,672)**	(10,855)
Research and development costs		**(17,202)**	(9,333)
Fair value loss of redeemable convertible preferred shares	26	**—**	(14,167)
Other expenses		**(1,342)**	(452)
PROFIT BEFORE TAX	8	**71,615**	8,261
Income tax expense	11	**(5,223)**	(1,313)
PROFIT FOR THE YEAR		**66,392**	6,948
Attributable to:			
Owners of the parent		**66,373**	6,948
Non-controlling interests		**19**	—
		66,392	6,948
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
(expressed in US$ per share)			
Basic			
– For profit for the year		**US$0.0488**	US$0.0078
Diluted			
– For profit for the year		**US$0.0462**	US$0.0071

Details of the dividends paid for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014	2013
		US$'000	US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,896**	1,674
Other intangible assets	16	**905**	97
Other non-current assets	17	**2,004**	157
Interests in an associate	19	**3,323**	—
Available-for-sale investments	20	**4,497**	—
Deferred tax assets	27	**115**	435
Total non-current assets		**13,740**	2,363
CURRENT ASSETS			
Accounts receivable	21	**2,375**	314
Due from related parties	35	**—**	114
Prepayments, deposits and other receivables	22	**3,482**	919
Funds receivable		**16,889**	12,248
Time deposits with original maturity of over three months		**54,000**	—
Cash and cash equivalents	23	**127,088**	135,488
Total current assets		**203,834**	149,083
CURRENT LIABILITIES			
Accounts payable	24	**7,572**	3,228
Other payables and accruals	25	**4,476**	3,006
Tax payable		**4,820**	1,317
Deferred revenue	28	**12,970**	7,805
Total current liabilities		**29,838**	15,356
NET CURRENT ASSETS		**173,996**	133,727
TOTAL ASSETS LESS CURRENT LIABILITIES		**187,736**	136,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 US$'000	2013 US$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**457**	317
Total non-current liabilities		**457**	317
NET ASSETS		**187,279**	135,773
EQUITY			
Issued capital	29	**3**	3
Reserves	31	**186,777**	132,891
Proposed final dividend	13	**—**	2,879
		186,780	135,773
Non-controlling interests		**499**	—
Total equity		**187,279**	135,773

Approved and authorized for issue by the board of directors on 9 March 2015

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent												
	Share capital US$'000	Share premium US$'000	Shares held for Share Award Scheme US$'000	Share option reserve US$'000	Available-for-sale equity investment revaluation reserve (note 20) US$'000	Reserve funds (note 31(a)) US$'000	Other reserve US$'000	Exchange fluctuation reserve US$'000	(Accumulated deficits)/ Retained profits US$'000	Proposed dividends US$'000	Total equity US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2014	3	184,600	–	1,553	–	88	8	(93)	(53,265)	2,879	135,773	–	135,773
Profit for the year	–	–	–	–	–	–	–	–	66,373	–	66,373	19	66,392
Other comprehensive income for the year:													
Changes in fair value of available-for-sale equity investments, net of tax	–	–	–	–	(3,989)	–	–	–	–	–	(3,989)	–	(3,989)
Reclassification adjustments for gains included in the consolidated statement of profit or loss - gain on disposal	–	–	–	–	3,199	–	–	–	–	–	3,199	–	3,199
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(280)	–	–	(280)	–	(280)
Total comprehensive income for the year	–	–	–	–	(790)	–	–	(280)	66,373	–	65,303	19	65,322
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	480	480
Equity-settled share option arrangements	–	–	–	2,269	–	–	–	–	–	–	2,269	–	2,269
Shares purchased for Share Award Scheme (note 30)	–	–	(4,300)	–	–	–	–	–	–	–	(4,300)	–	(4,300)
Exercise of share options	–	636	–	(137)	–	–	–	–	–	–	499	–	499
Final 2013 dividend paid	–	–	–	–	–	–	–	–	–	(2,879)	(2,879)	–	(2,879)
2014 interim dividend paid	–	–	–	–	–	–	–	–	(9,885)	–	(9,885)	–	(9,885)
At 31 December 2014	3	185,236*	(4,300)*	3,685*	(790)*	88*	8*	(373) *	3,223 *	–	186,780	499	187,279

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Reserve funds (note 31(a)) US$'000	Other reserve US$'000	Exchange fluctuation reserve US$'000	Accumulated deficits US$'000	Proposed final dividend US$'000	Total equity US$'000
At 1 January 2013	1	3,580	805	88	8	(110)	(60,213)	—	(55,841)
Profit for the year	—	—	—	—	—	—	6,948	—	6,948
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	—	17	—	—	17
Total comprehensive income for the year	—	—	—	—	—	17	6,948	—	6,965
Equity-settled share option arrangement	—	—	1,030	—	—	—	—	—	1,030
Exercise of share options	—	584	(282)	—	—	—	—	—	302
Conversion of redeemable convertible preferred shares (note 26)	1	80,762	—	—	—	—	—	—	80,763
Issuance of shares for the IPO	1	94,844	—	—	—	—	—	—	94,845
Issuance of shares under the over-allotment option	—	17,741	—	—	—	—	—	—	17,741
Share issuance expenses	—	(5,109)	—	—	—	—	—	—	(5,109)
Dividend declared and paid to then existing shareholders	—	(4,923)	—	—	—	—	—	—	(4,923)
Proposed 2013 final dividend	—	(2,879)	—	—	—	—	—	2,879	—
At 31 December 2013	3	184,600*	1,553*	88*	8*	(93)*	(53,265)*	2,879	135,773

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**71,615**	8,261
Adjustments for:			
Interest income	8	**(557)**	(160)
Fair value gain, net			
Available-for-sale investments (transfer from equity on disposal)	20	**(3,199)**	—
Loss on disposal of items of property, plant and equipment	8	**3**	10
Fair value loss of redeemable convertible preferred shares	8	**—**	14,167
Depreciation	8	**1,025**	754
Amortisation of other intangible assets	8	**389**	105
Equity-settled share compensation costs	8	**2,269**	1,030
		71,545	24,167
Increase in funds receivable		**(4,641)**	(9,015)
Decrease in due from related parties		**114**	—
Decrease/(increase) in accounts receivable		**(2,061)**	68
Increase in prepayments, deposits and other receivables		**(2,563)**	(443)
Increase in accounts payable		**4,344**	1,387
Increase in deferred revenue		**5,165**	2,249
Increase/(decrease) in other payables and accruals		**1,470**	(118)
Increase in other non-current assets		**(1,847)**	—
Cash flows generated from operations		**71,526**	18,295
Interest received		**557**	160
Income tax paid		**(1,260)**	3
Net cash flows from operating activities		**70,823**	18,458

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**62**	33
Purchases of items of property, plant and equipment	15	**(2,327)**	(940)
Purchases of other intangible assets	16	**(1,472)**	(46)
Purchases of available-for-sale investments		**(15,342)**	—
Proceeds from disposal of available-for-sale investments		**13,254**	—
Acquisition of an associate	19	**(3,323)**	—
Increase in short term deposits with original maturity of over three months		**(44,000)**	(10,000)
Net cash flows used in investing activities		**(53,148)**	(10,953)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**499**	302
Proceeds from issuance of shares		**—**	112,586
Share issuance expenses		**—**	(5,109)
Dividends declared and paid to then existing shareholders		**(12,764)**	(4,923)
Capital contribution from non-controlling interests		**480**	—
Payments for purchase of shares for Share Award Scheme	30	**(4,300)**	—
Net cash flows (used in)/generated from financing activities		**(16,085)**	102,856
NET CHANGE IN CASH AND CASH EQUIVALENTS		**1,590**	110,361
Cash and cash equivalents at beginning of year		**125,488**	15,135
Effect of foreign exchange rate changes, net		**10**	(8)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**127,088**	125,488
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**97,550**	31,374
Non-pledged time deposits with original maturity of less than three months when acquired	23	**29,538**	104,114
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**127,088**	135,488
Less: Time deposits with original maturity of over three months		**—**	(10,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**127,088**	125,488

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 US$'000	2013 US$'000
NON-CURRENT ASSETS			
Investment in subsidiaries	18	**6,360**	4,137
Interests in an associate	19	**3,323**	—
Available-for-sale investments	20	**2,034**	—
Total non-current assets		**11,717**	4,137
CURRENT ASSETS			
Due from subsidiaries		**62,580**	20,382
Cash and cash equivalents	23	**31,591**	93,477
Total current assets		**94,171**	113,859
CURRENT LIABILITIES			
Due to subsidiaries		**240**	262
Other payables and accruals	25	**340**	14
Total current liabilities		**580**	276
NET CURRENT ASSETS		**93,591**	113,583
TOTAL ASSETS LESS CURRENT LIABILITIES		**105,308**	117,720
Net assets		**105,308**	117,720
EQUITY			
Issued capital		**3**	3
Reserves	31	**105,305**	114,838
Proposed final dividend	13	**—**	2,879
Total equity		**105,308**	117,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

IGG Inc (the "Company") was incorporated in the Cayman Islands on 16 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2013 (the "Listing Date").

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

In the opinion of the directors of the Company, as of the date of this 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION (Continued)

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

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

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

The financial statements have been prepared under the historical cost convention, except for redeemable convertible preferred shares, certain available-for-sale investments, equity investments at fair value through profit or loss and derivative financial assets which have been measured at fair value. These financial statements are presented in United States Dollar ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following revised IFRSs that have been issued but are not yet effective, in the financial statements.

Amendments to IAS 1	*Disclosure Initiative*[2]
IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company and/or its other subsidiaries. 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 results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The results of associates are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5.

Fair value measurement

The Group measures its redeemable convertible preferred shares, available-for-sale investments and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates (after taking account of the residual value) used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Computer equipment	31.7%
Office equipment and furniture	31.7%
Motor vehicles	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Royalty fees

Royalty fees represent upfront license fees paid for exclusive operation licenses of the Group's licensed-in games. They are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful life.

Trademarks and domain names, software and copyright

All these intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate less any allowance for impairment. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Funds receivable

Funds receivable represent balances due from third-party payment service providers for the cash collected from game players that purchased virtual currency. The Group carefully considers and monitors the creditworthiness of the third-party payment service providers.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement or profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative designated as hedging instruments in effective hedges, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, financial liabilities included in other payables and accruals, and redeemable convertible preferred shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Redeemable convertible preferred shares

The redeemable convertible preferred shares were designated as at fair value through profit or loss on initial recognition.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

The redeemable convertible preferred shares with embedded derivatives whose economic risks and characteristics are not closely related to those of the host contract (the liability component) as a whole is designated as financial liabilities at fair value through profit or loss on initial recognition.

Transaction costs that are directly attributable to the issue of the redeemable convertible preferred shares designated as financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

At the end of the reporting period subsequent to initial recognition, the redeemable convertible preferred shares are measured at fair value, with changes in fair value arising on re-measurement recognised directly in the statement of profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group purchases derivative financial instruments, such as warrants to be settled with other entity's common stock. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

(a) Online game revenue

The Group operates its mobile, browser and client-based online games that allow players to play for free. Players can purchase virtual currency to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience. Players can pay for virtual currency using different payment platforms such as Google Play, Apple App Store, Facebook Payments, credit cards and PayPal. The third-party payment platforms are entitled to the relevant service fees which are withheld and deducted from the gross proceeds of virtual currency collected from the players, with the net amounts remitted to the Group. The consideration received for the purchase of the virtual currency or virtual items is non-refundable and the related contracts are non-cancellable. Such consideration received is initially included in deferred revenue on the consolidated statement of financial position. The Group recognises revenue on a gross basis and treats the relevant service fees as cost of sales in the consolidated statement of profit or loss.

The virtual items are considered value-added services and rendered over a pre-specified period or throughout the whole game life. The revenue from these virtual items is recognised either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. Future usage patterns may differ from the historical usage patterns on which the Group's revenue recognition policy is based. The Group monitors the operational statistics and usage patterns of the virtual items. Once virtual currency is charged to a player's personal online game account, it can be used by the player until the specific game has been closed down. Unused balance of virtual currency is recognised as revenue when the specific game has been closed down or the players' account has been inactive for 360 consecutive days, whichever is earlier. The Group determines that the likelihood that the Group would provide further online game service with respect to the players whose accounts have been inactive for 360 consecutive days is remote.

The Group is susceptible to chargeback claims, in which the players report to the payment platforms the purchase of virtual currency or virtual items as suspicious or fraudulent activity. The payment platforms may not substantially review the claim and will normally refund the credit card. The Group estimates chargebacks from third-party payment processors to account for potential future chargebacks based on historical data and record such amounts as a reduction of revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(b) Joint operation revenue

When the Group's games are jointly operated through the websites of third-party joint operators, the Group views the third-party joint operators as its customers and recognises revenue on a net basis as they act as agents in the arrangement. The Group does not have the primary responsibility for fulfilment and acceptability of the game services. The Company has been given access to third-party joint operators' platforms to monitor monthly sales activities for the purpose of estimating revenue.

Accordingly, revenue from such arrangement is recognised in the monthly game players purchase of the Group's virtual currency. The amount of revenue is measured based on the portion to which the Company is entitled and the amount of game players' purchase of the Group's virtual currency through the joint operators' websites.

(c) Other revenue

- Mobile advertising revenue

  The Group also provides performance-based mobile advertising service for app publishers. The Group introduces individual users to its advertisers mainly through its performance based pay-for-click application and charges advertisers on a per action basis when the users complete certain tasks such as completion of installation of the advertisers' apps. Revenue for performance based advertising is primarily recognised on a per action basis when the users complete the action.

- Licensing revenue

  The Group receives royalty income from third-party licensees in exchange for exclusive operation of the Group's self-developed games in certain regions and providing related technical support. The royalty fees include an upfront fee and a monthly fee, which is determined based on an agreed percentage of virtual currency purchased by the players with accounts registered with the third parties. The upfront fee is recognised ratably over the contracted licence period. The Group is unable to reliably estimate the monthly royalty fee because it has no access to the data of players' purchase activity conducted through the licensees. Accordingly, the monthly royalty fee is recognised when the licensees confirm their sales activities for the period.

(d) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme I and Share Award Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shares held for the Share Award Scheme

As disclosed in note 30 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from the Group's equity.

Other employee benefits

Pension schemes — Mainland China

The employees of the Group's subsidiaries, which operate in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Pension schemes — non-China

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each reporting period. Contributions to these plans are expensed as incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 27 below.

The Group's determination as to whether to accrue for deferred tax for withholding taxes from the distribution of dividends from the subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, no deferred tax for withholding taxes is provided.

Estimates of current and deferred income tax and sales tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact on the income and deferred tax provisions in the period in which such determination was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of share-based compensation expenses

As mentioned in note 30, the Group has granted share options and awarded shares to its employees. The directors have used the binominal model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk-free rate, dividend yield, expected volatility and expected life of options, is required to be made by the directors in applying the binomial model.

The grant of equity instruments is conditional upon satisfying specified performance and/or service vesting conditions. Judgement is required to take into account the vesting conditions and adjust the number of equity instruments included in the measurement of share-based compensation costs.

Fair value of redeemable convertible preferred shares

As described in note 26, the Company's redeemable convertible preferred shares are measured at fair value through profit or loss. The Company engaged an independent appraiser to assist it in determining the fair value. The determination of fair value was made after consideration of a number of factors, including but not limited to: the Group's financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group's business; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Online game revenue recognition

(a) Estimation of the sales value of unutilised virtual items

Online game revenue is recognised based on the actual consumption of the virtual items converted from virtual currency. Income received in respect of unutilised virtual items is recognised as deferred revenue. As to the amount of deferred revenue in respect of unutilised virtual items, management's estimation is required in determining the average sales value of those unutilised virtual items because the Company is unable to track the sales value of each individual unutilised virtual item.

A number of promotional activities offering game players volume discounts of virtual currency were conducted throughout the reporting period. In assessing the amount of the average sales value for the virtual currency which accordingly will affect the value of unutilised virtual items, management considers the discount rate offered in different promotional activities and the income received during the period when such activities were conducted. Based on these factors, management determines an average discount rate which gives rise to the best estimate of the discount given to virtual currency sold during the reporting period. In addition, a number of unutilised virtual items were granted free of charge by completing certain tasks or entering into lucky draws within the games. The portion of unutilised virtual items obtained within the games by means other than paying with virtual currency is estimated based on the Company's statistics. The average sales value of each virtual item paid with virtual currency is then determined by factoring the average discount rate to the face value of the virtual currency and standard price of the virtual items measured in virtual currency.

(b) Estimation of the user life of paying players

The Group recognises revenue from the sales of virtual items and virtual currency ratably over the estimated average user life of paying players for the applicable games in which the Group is not able to track the consumption of virtual items. Future paying player usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average user life of paying players may change in the future.

The Group will continue to monitor the estimation used in determining the sales value of virtual items and the average user life of paying players, which may differ from the historical period, and any change in the estimate may result in the revenue being recognised on a different basis to that in prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Non-consolidation of entities in which the Group holds more than 50% of equity interest

The Group considers that it does not control Nerd Kingdom Inc. even though it owns more than 50% of equity interest. This is because the Group is only entitled to elect two (2) directors out of five (5) directors in total in accordance with the Article of Incorporation. The Group does not have any vote-in-concert arrangement with other shareholders who are entitled to elect the other three (3) directors.

6. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

6. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

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

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

(b) *Non-current assets*

	2014	2013
	US$'000	US$'000
PRC	**1,075**	1,051
North America	**1,577**	880
Singapore	**218**	415
Philippines	**26**	17
	2,896	2,363

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

Information about major customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

7. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

8. PROFIT BEFORE TAX

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

		Group	
		2014	2013
	Notes	**US$'000**	US$'000
Channel cost		**50,785**	17,246
Royalty fee		**1,781**	1,413
Depreciation	15	**1,025**	754
Amortisation of other intangible assets	16	**389**	105
Minimum lease payments under operating leases of buildings		**3,009**	2,645
Auditors' remuneration			
– audit service		**517**	582
– non-audit service		**186**	490
		703	1,072
Employee benefit expense (including directors' and chief executive's remuneration, note 9):			
Salaries and wages		**19,876**	10,790
Staff welfare expenses		**1,176**	787
Equity-settled share compensation costs		**2,269**	1,030
Pension scheme contributions		**917**	807
Foreign exchange loss		**280**	346
Fair value loss of redeemable convertible preferred shares		**—**	14,167
Loss on disposal of items of property, plant and equipment		**3**	10
Bank interest income	7	**(557)**	(160)
Government grants	7	**(227)**	(355)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Fees	**240**	150
Other emoluments:		
Salaries, allowances and benefits in kind	**339**	184
Equity-settled share compensation expense	**287**	—
Performance related bonuses*	**28**	40
Pension scheme contributions	**12**	8
	666	232
	906	382

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year was as follows:

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2014						
Dr. Horn Kee Leong	**40**	**—**	**—**	**27**	**—**	**67**
Mr. Dajian Yu	**20**	**—**	**—**	**27**	**—**	**47**
Ms. Zhao Lu	**20**	**—**	**—**	**27**	**—**	**47**
	80	**—**	**—**	**81**	**—**	**161**

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2013						
Dr. Horn Kee Leong	10	—	—	—	—	10
Mr. Dajian Yu	5	—	—	—	—	5
Ms. Zhao Lu	5	—	—	—	—	5
	20	—	—	—	—	20

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2014						
Executive directors						
Mr. Zongjian Cai*	60	207	17	89	6	379
Mr. Yuan Chi	60	132	11	41	6	250
	120	339	28	130	12	629
Non-executive directors						
Mr. Xiaojun Li	20	—	—	38	—	58
Mr. Kee Lock Chua	20	—	—	38	—	58
	40	—	—	76	—	116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2013						
Executive directors						
Mr. Zongjian Cai*	60	110	23	—	4	197
Mr. Yuan Chi	60	74	17	—	4	155
	120	184	40	—	8	352
Non-executive directors						
Mr. Xiaojun Li	5	—	—	—	—	5
Mr. Kee Lock Chua	5	—	—	—	—	5
	10	—	—	—	—	10

* Mr. Zongjian Cai is the chief executive of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include directors (2013: two), details of whose remuneration are set out in note 9 above. Details of the remuneration of the five (2013: remaining three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2014	2013
	US$'000	US$'000
Salaries, allowances and benefits in kind	**883**	424
Performance related bonuses	**1,913**	61
Equity-settled share option expense	**190**	56
Pension scheme contributions	**108**	20
	3,094	561

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
US$100,001 to US$200,000	**—**	3
US$400,001 to US$500,000	**2**	—
US$600,001 to US$700,000	**2**	—
US$700,001 to US$800,000	**1**	
	5	3

During the year and in prior years, share options and awarded shares were granted to the non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options and awarded shares, which have been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

11. INCOME TAX

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

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

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

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

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

IGG US, a subsidiary of the Company in the United States, was subject to federal income tax at gradual rates ranging from 15% to 39%. In addition, IGG US is also subject to California state income tax at a rate of 8.84%.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

11. INCOME TAX (Continued)

	Group	
	2014	2013
	US$'000	US$'000
Current year provision:		
US	**49**	45
Singapore	**4,657**	832
PRC	**2**	437
Canada	**56**	—
Subtotal of current tax	**4,764**	1,314
Deferred tax (note 27):		
US	**44**	49
Singapore	**416**	(114)
PRC	**(1)**	64
Subtotal of deferred tax	**459**	(1)
Total tax charge for the year	**5,223**	1,313

During the years ended 31 December 2014 and 2013, IGG Singapore was the headquarter of the Group where it recorded majority of the Group's revenue. A reconciliation of the tax expense applicable to profit before tax at IGG Singapore's statutory tax rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., IGG Singapore's statutory tax rate) to the effective tax rate, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

11. INCOME TAX (Continued)

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

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 include a profit of US$1,898,000 (2013: a loss of US$14,795,000) which has been dealt with in the financial statements of the Company (note 31 (b)).

13. DIVIDENDS

	2014	2013
	US$'000	US$'000
2013 final dividend – HK1.6 cents per ordinary share	**—**	2,879
2014 interim dividend – HK5.6 cents per ordinary share	**9,885**	—
	9,885	2,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

13. DIVIDENDS (Continued)

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

At a board meeting held on 8 August 2014, the directors declared an interim dividend of HK5.6 cents per ordinary share, aggregating a total of HK$76,226,023 (equivalent to approximately US$9,885,000) for the six months ended 30 June 2014, and was paid on 5 September 2014.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

For the purpose of calculating earnings per share, the numbers of ordinary shares outstanding during the years ended 31 December 2014 and 2013 have been adjusted retroactively as a result of the Shares Subdivision defined in note 29 to the financial statements.

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

The calculation of the diluted earnings per share is based on the profit for the years ended 31 December 2014 and 2013 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years ended 31 December 2014 and 2013, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2014 **US$'000**	2013 US$'000
Earnings		
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**66,373**	6,948
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,360,444,256**	896,386,767
Effect of dilution – weighted average number of ordinary shares:		
Share options	**74,919,612**	86,681,125
Awarded shares	**299,642**	—
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,435,663,510**	983,067,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements US$'000	Computer equipment US$'000	Office equipment and furniture US$'000	Motor vehicles US$'000	Total US$'000
2014					
At 31 December 2013 and at 1 January 2014:					
Cost	52	5,510	280	67	5,909
Accumulated depreciation	(11)	(3,923)	(237)	(64)	(4,235)
Net carrying amount	41	1,587	43	3	1,674
At 1 January 2014, net of accumulated depreciation	41	1,587	43	3	1,674
Additions	98	1,823	25	381	2,327
Disposals	—	(56)	(9)	—	(65)
Depreciation provided during the year	(35)	(936)	(12)	(42)	(1,025)
Exchange realignment	—	(5)	(10)	—	(15)
At 31 December 2014, net of accumulated depreciation	104	2,413	37	342	2,896
At 31 December 2014:					
Cost	150	7,277	296	448	8,171
Accumulated depreciation	(46)	(4,864)	(259)	(106)	(5,275)
Net carrying amount	104	2,413	37	342	2,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold improvements US$'000	Computer equipment US$'000	Office equipment and furniture US$'000	Motor vehicles US$'000	Total US$'000
2013					
At 31 December 2012 and at 1 January 2013:					
Cost	—	4,865	280	65	5,210
Accumulated depreciation	—	(3,378)	(254)	(61)	(3,693)
Net carrying amount	—	1,487	26	4	1,517
At 1 January 2013, net of accumulated depreciation	—	1,487	26	4	1,517
Additions	52	853	35	—	940
Disposals	—	(40)	(3)	—	(43)
Depreciation provided during the year	(11)	(726)	(16)	(1)	(754)
Exchange realignment	—	13	1	—	14
At 31 December 2013, net of accumulated depreciation	41	1,587	43	3	1,674
At 31 December 2013:					
Cost	52	5,510	280	67	5,909
Accumulated depreciation	(11)	(3,923)	(237)	(64)	(4,235)
Net carrying amount	41	1,587	43	3	1,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. OTHER INTANGIBLE ASSETS

Group	Trademarks and domain names US$'000	Software US$'000	Copyright US$'000	Royalty fees US$'000	Total US$'000
2014					
At 1 January 2014, net of accumulated amortisation	**42**	**53**	**2**	**—**	**97**
Additions	**253**	**562**	**7**	**650**	**1,472**
Amortisation provided during the year	**(59)**	**(148)**	**(3)**	**(179)**	**(389)**
Exchange realignment	**1**	**(276)**	**—**	**—**	**(275)**
At 31 December 2014	**237**	**191**	**6**	**471**	**905**
At 31 December 2014:					
Cost	**461**	**1,172**	**31**	**928**	**2,592**
Accumulated amortisation	**(224)**	**(981)**	**(25)**	**(457)**	**(1,687)**
Net carrying amount	**237**	**191**	**6**	**471**	**905**
2013					
At 1 January 2013, net of accumulated amortisation	39	105	7	1	152
Additions	29	16	1	—	46
Amortisation provided during the year	(26)	(72)	(6)	(1)	(105)
Exchange realignment	—	4	—	—	4
At 31 December 2013	42	53	2	—	97
At 31 December 2013:					
Cost	208	610	24	278	1,120
Accumulated amortisation	(166)	(557)	(22)	(278)	(1,023)
Net carrying amount	42	53	2	—	97

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

17. OTHER NON-CURRENT ASSETS

Other non-current assets mainly represents prepayments for games outsourcing development fee, revenue sharing fee for licensing games, and rental deposit for office premise.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	US$'000	US$'000
Unlisted shares, at cost	**2,217**	2,217
Capital contribution in respect of employee share-based compensation	**4,143**	1,920
	6,360	4,137

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

As at the end of the year, the Company had direct or indirect interests in the following subsidiaries, the particulars of which are set out below:

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	—	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ registration and place of operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
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$10,000	60	—	Investment holding
Tapcash Inc. ("Tapcash Canada")	Canada 5 March 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

* 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. Please refer to note 1 to the financial statements for details.

Except for IGG Singapore, none of above entities were audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The directors are of the view that there was no subsidiary having non-controlling interests that are material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTERESTS IN AN ASSOCIATE

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Investments in an associate				
– Unlisted shares	**603**	—	**603**	—
– Non-redeemable convertible preferred shares of an associate	**2,720**	—	**2,720**	—
	3,323	—	**3,323**	—

As at 31 December 2014, the Group was entitled to certain warrants associated with its interests in the associate. The directors of the Company considered that the fair values of such warrants were insignificant and accordingly, the Group did not separately recognise these warrants in the consolidated financial statements.

Particulars of the associate are as follows:

Name	Issued ordinary shares held	Place of incorporation/ registration and business	Percentage of ownership interest in the ordinary shares attributable to the Group	Principal activities
Nerd Kingdom Inc.*	Ordinary shares (**)	the United States	61.7%	Research and development of online games

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** The Group also held various non-redeemable convertible preferred shares and warrants exercisable into ordinary shares issued by Nerd Kingdom Inc.

During the year, the Group had acquired an associate, Nerd Kingdom Inc., from independent third parties, the aggregate fair value of liabilities exceeded that of assets attributable to the interests acquired by the Group. Total consideration paid is US$603,000. The investment costs of Nerd Kingdom Inc. included goodwill of approximately US$603,000. The Group does not have contractual right to share additional losses. The Group holds 61.70% of ordinary shares of Nerd Kingdom Inc. and has the right to appoint two directors out of five directors in the board. Therefore, Nerd Kingdom Inc. is classified as an associate of the Group.

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19. INTERESTS IN AN ASSOCIATE (Continued)

The non-redeemable convertible preferred shares contain the financial assets and embedded derivatives and the entire instrument was designated as financial assets at fair value through profit or loss on initial recognition.

The fair value of the acquired identifiable intangible assets and certain financial instruments is provisional pending completion of the valuations for those assets and financial instrument.

The associate has been accounted for using the equity method in these financial statements and the reporting period of the associate is coterminous with that of the Group.

The Group's voting power held in relation to Nerd Kingdom Inc. is 40%.

Nerd Kingdom Inc., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the research and development of online games and is accounted for using the equity method.

The following table illustrates the summarised financial information of Nerd Kingdom Inc. adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2014 **US$'000**
Current assets	**1,287**
Non-current assets	**133**
Goodwill on acquisition of the associate	**603**
Financial liabilities measured at fair value through profit or loss	
- Non-redeemable convertible preferred shares	**(3,319)**
Net deficits	**(1,296)**
Net deficits, excluding goodwill	**(1,899)**

Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	61.7%
Group's share of net assets of the associate, excluding goodwill	—
Goodwill on acquisition	603
Non-redeemable convertible preferred shares	2,720
Carrying amount of the investment	3,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Listed equity investments,				
at fair value:				
The United States	**2,497**	—	**34**	—
Unlisted equity investments, at cost	**2,000**	—	**2,000**	—
	4,497	—	**2,034**	—

During the year, the gross gain in respect of the Group's available-for-sale investments in a South Korea based listed company providing online game service recognised in other comprehensive income amounted to US$3,199,000 (2013: Nil), of which US$3,199,000 (2013: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the year.

There was a decline in the market value of certain listed equity investments during the year. The directors consider such a decline is neither significant nor prolonged that indicates that the listed equity investments have been impaired and a change in fair value of US$790,000 (2013: Nil) has been recognised in other comprehensive income.

As at 31 December 2014, certain unlisted equity investments with a carrying amount of US$2,000,000 (2013: Nil) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. ACCOUNTS RECEIVABLE

	Group	
	2014	2013
	US$'000	US$'000
Accounts receivable	**2,375**	314

The Group's trading terms with its customers are mainly cash settlement, except for well established corporate customers in the mobile advertising business and the online game joint operation business, for which the credit term is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over those accounts receivable balances. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Within 3 months	**1,944**	314
3 to 6 months	**431**	—
	2,375	314

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

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

	Group	
	2014	2013
	US$'000	US$'000
Neither past due nor impaired	**2,375**	314

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2014	2013
	US$'000	US$'000
Prepayments	**2,191**	470
Rental deposits	**220**	108
Other receivables	**1,071**	341
	3,482	919

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Cash and bank balances	**97,550**	31,374	**2,053**	369
Time deposits with original maturity of less than three months	**29,538**	104,114	**29,538**	93,108
	127,088	135,488	**31,591**	93,477

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately US$7,192,768 (2013: US$4,131,520). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and non-pledged time deposits are deposited with creditworthy banks with no recent history of default.

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24. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

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

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

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Other tax payables	**543**	472	**—**	—
Other payables	**746**	339	**135**	3
Provision for chargebacks	**307**	184	**—**	—
Salary and welfare payables	**2,704**	1,929	**205**	—
Other accruals	**176**	82	**—**	11
	4,476	3,006	**340**	14

Other payables are non-interest-bearing and are mainly settled within three months. The salary and welfare payables are non-interest-bearing and payable on demand.

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26. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On 30 November 2007, the Company issued an aggregate of 5,375,000 Series A convertible contingently redeemable preferred shares ("Series A shares") at an aggregate purchase price of US$3,000,001. On 30 November 2007, the Company issued the warrants which shall be exercisable at an aggregate price of US$1,500,000 for 1,343,750 Series A1 convertible contingently redeemable preferred shares ("Series A1 shares") with an exercise period expired upon (i) the expiry of eighteen (18) months from the closing date, (ii) a qualified initial public offering (the "IPO"), or (iii) in the event of any liquidation, dissolution or winding up of the Company, whichever is the earlier. On 1 June 2009, the expiry date of the warrant exercise period, the warrant holders exercised the warrants for 1,209,375 Series A1 shares at the consideration of US$1,350,000. The warrants exercisable for 134,375 Series A1 shares lapsed on that day. On 12 November 2008, the Company issued an aggregate of 49,675 Series B convertible contingently redeemable preferred shares ("Series B shares") to the shareholders and investors of IGG US, which has become a wholly-owned subsidiary of the Company ever since. On 12 November 2008, the Company issued an aggregate of 5,216,091 Series B shares at an aggregate purchase price of US$10,499,991.

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

The preferred shares have no expiry date. However, at any time commencing on 1 December 2011 (inclusive), then subject to the applicable laws of the Cayman Islands and, if so requested by the holders of more than seventy-five percent (75%) of the Series Shares, the Company shall redeem all of the outstanding Series Shares out of funds legally available therefore. At 31 December 2012, the Series Shares were presented as current liabilities as they were subject to redemption at any time on the request of the holders of the Series Shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. REDEEMABLE CONVERTIBLE PREFERRED SHARES (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group	Deferred revenue US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
At 1 January	244	30	91	365
Deferred tax (charged)/credited to the statement of profit or loss during the year	180	(30)	(82)	68
Exchange realignment	1	—	1	2
Deferred tax assets at 31 December 2013 and 1 January 2014	425	—	10	435
Deferred tax (charged)/credited to the statement of profit or loss during the year	(372)	4	48	(320)
Exchange realignment	—	—	—	—
Deferred tax assets at 31 December 2014	53	4	58	115

The Group had tax losses arising in the PRC of approximately US$5,265,000 (2013: US$3,851,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

27. DEFERRED TAX (Continued)

Deferred tax liabilities

Group	**Property, plant and equipment US$'000**
At 1 January 2013	250
Deferred tax charged to the statement of profit or loss during the year	67
Deferred tax liabilities at 31 December 2013 and 1 January 2014	317
Deferred tax charged to the statement of profit or loss during the year	140
Deferred tax liabilities at 31 December 2014	457

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2014, there were no undistributed earnings of Fuzhou Tianmeng (2013: Nil). At 31 December 2013, no deferred tax was recognised for income taxes that would be payable on the Fuzhou Tianmeng's unremitted earnings that are subject to income taxes if being distributed. In the opinion of the directors, it is not probable that Fuzhou Tianmeng would distribute such earnings in the foreseeable future. There was not any aggregate amount of temporary differences associated with investments in Fuzhou Tianmeng in Mainland China for which deferred tax liabilities have not been recognised at 31 December 2014 (2013: Nil).

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of Fuzhou Tianji. In the opinion of the directors, it is not probable that Fuzhou Tianji will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in Fuzhou Tianji for which deferred tax liabilities have not been recognised totalled approximately US$806,000 at 31 December 2014 (2013: US$1,529,000).

There were no undistributed earnings of Fuzhou Tianjie as at 31 December 2014 (2013: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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28. 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.

29. SHARE CAPITAL

Shares

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

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

	Number of shares in issue	Number of treasury shares	Number of shares outstanding	Share capital US$'000	Share premium account US$'000	Shares held for Share Award Scheme US$'000
At 1 January 2013	13,463,000	—	13,463,000	1	3,580	—
Share options exercised (note 30)	864,000	—	864,000	—	584	—
Conversion of redeemable convertible preferred shares (note 26)	11,850,141	—	11,850,141	1	80,762	—
Shares Subdivision	1,020,908,499	—	1,020,908,499	—	—	—
Issuance of shares for the IPO	262,651,459	—	262,651,459	1	94,844	—
Issuance of shares under the Over-allotment Option	49,115,000	—	49,115,000	—	17,741	—
	1,358,852,099	—	1,358,852,099	3	197,511	—
Share issuance expenses	—	—	—	—	(5,109)	—
Dividends declared and paid to then existing shareholders	—	—	—	—	(4,923)	—
Proposed 2013 final dividend	—	—	—	—	(2,879)	—
At 31 December 2013	1,358,852,099	—	1,358,852,099	3	184,600	—
At 1 January 2014	**1,358,852,099**	**—**	**1,358,852,099**	**3**	**184,600**	**—**
Share options exercised (note 30)	**11,633,500**	**—**	**11,633,500**	**—**	**636**	**—**
Shares purchased for Share Award Scheme (note 30)	**—**	**—**	**—**	**—**	**—**	**(4,300)**
At 31 December 2014	**1,370,485,599**	**—**	**1,370,485,599**	**3**	**185,236**	**(4,300)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE CAPITAL (Continued)

Notes:

(a) Pursuant to the written resolutions of the shareholders passed on 16 September 2013 (the "Resolutions"), the Company's shareholders approved the subdivision ("Share Subdivision") of each issued and unissued ordinary share of US$0.0001 in the capital of the Company to 40 shares of US$0.0000025 each.

(b) In connection with the Company's initial public offering ("IPO"), 262,651,459 shares of US$0.0000025 each were issued at a price of HK$2.80 per share for a total cash consideration, before listing expenses, of HK$735,424,085 (equivalent to approximately US$94,844,000). Dealings of these shares on the Stock Exchange commenced on 18 October 2013.

(c) On 15 November 2013, the sole lead manager, China Everbright Securities (HK) Limited, fully exercised the over-allotment option (the "Over-allotment Option") requiring the Company to allot and issue 49,115,000 additional shares of US$0.0000025 each (the "Over-allotment Shares"). The Over-allotment Shares, representing approximately 15% of the total ordinary shares initially available under the IPO before any exercise of the over-allotment option, have been issued and allotted by the Company at HK$2.80 per share, being the offer price under the IPO. Listing of and dealing in the Over-allotment Shares commenced on the Stock Exchange on 21 November 2013. In this regard, the net proceeds from the Over-allotment Shares approximated HK$132,340,171 (equivalent to US$17,072,000).

30. SHARE OPTION SCHEME

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

Pre-IPO Share Option Scheme

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

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

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30. SHARE OPTION SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

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

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

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

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

	2014		2013	
	Weighted average exercise price per share (Note) US$	**Number of options (Note)**	Weighted average exercise price per share (Note) US$	Number of options (Note)
At 1 January	**0.0516**	**86,058,000**	0.0345	110,624,000
Granted during the year	**—**	**—**	0.0865	13,200,000
Forfeited during the year	**0.0761**	**(750,000)**	0.0668	(3,206,000)
Exercised during the year	**0.0430**	**(11,633,500)**	0.0086	(34,560,000)
At 31 December	**0.0527**	**73,674,500**	0.0516	86,058,000

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

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.

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30. SHARE OPTION SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

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

2014

Number of options	Exercise price* per share 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
12,140,500	0.0865	Since IPO to 31-03-2023
73,674,500		

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30. SHARE OPTION SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

2013

Number of options	Exercise price* per share US$	Exercise period
1,200,000	0.0038	Since IPO to 19-01-2017
11,640,000	0.0038	01-07-2008 to 30-06-2017
5,608,000	0.0078	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
6,000,000	0.0378	19-03-2010 to 18-03-2019
7,140,000	0.0500	Since IPO to 31-07-2019
800,000	0.0500	Since IPO to 02-08-2019
200,000	0.0500	Since IPO to 31-10-2019
60,000	0.0525	Since IPO to 17-04-2021
19,232,000	0.0525	Since IPO to 20-04-2021
120,000	0.0525	Since IPO to 24-04-2021
160,000	0.0525	Since IPO to 02-05-2021
240,000	0.0525	Since IPO to 15-05-2021
800,000	0.0525	Since IPO to 12-06-2021
400,000	0.0525	Since IPO to 02-07-2021
3,540,000	0.0865	Since IPO to 13-08-2021
3,584,000	0.0865	Since IPO to 14-01-2022
8,410,000	0.0865	Since IPO to 21-05-2022
12,924,000	0.0865	Since IPO to 31-03-2023
86,058,000		

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

30. SHARE OPTION SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

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

After adjustment as a result of the Share Subdivision as if the Share Subdivision had taken place on 1 January 2013, the 11,633,500 (2013: 34,560,000) share options exercised during the year resulted in the issuance of 11,633,500 (2013: 34,560,000) ordinary shares of the Company and new share capital of US$636,492 (2013: US$584,086) (before share issuance expenses), as further detailed in note 29 to the financial statements.

At the end of the reporting period, the Company had 73,674,500 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issuance of 73,674,500 additional ordinary shares of the Company and additional share capital of US$185 (before issuance expenses).

Post-IPO Share Option Scheme I

The Company operates a share option scheme (the "Post-IPO Share Option Scheme I") for the purpose of giving eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (defined as below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

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

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

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30. SHARE OPTION SCHEME (Continued)

Post-IPO Share Option Scheme I (Continued)

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

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1.0 in total by the grantee. The exercise period of the share options granted is determinable by the board 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.

30. SHARE OPTION SCHEME (Continued)

Post-IPO Share Option Scheme I (Continued)

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

	2014
Dividend yield (%)	2.72-6.53
Expected volatility (%)	47.28-48.91
Risk-free interest rate (%)	1.85-2.28
Forfeiture rate (%)	5-6
Weighted average share price (HK$ per share)	3.44-8.30

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

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

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

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

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30. SHARE OPTION SCHEME (Continued)

Post-IPO Share Option Scheme I (Continued)

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

31 December 2014

Number of options	Exercise price* per share HK$	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
1,267,000	3.51	21-11-2015 to 21-11-2024
11,674,500		

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 Computershare Hong Kong Trustees Limited, as the trustee ("Trustee") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board. The vesting period of the awarded share is determined by the Board. The awarded shares granted shall vest in the grantees in accordance with the schedule as determined by the Board.

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

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

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30. SHARE OPTION SCHEME (Continued)

Share Award Scheme (Continued)

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

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

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

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 70 and 71 of the financial statements.

Certain subsidiaries incorporated in Mainland China are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until the reserve funds reach 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve refunds are restricted from distribution to the Company in the form of dividend and may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

31. RESERVES (Continued)

(b) Company

	Share premium US$'000	Share option reserve US$'000	Shares held for share award scheme US$'000	Available-for-sale investment revaluation reserve US$'000	Accumulated deficits US$'000	Total US$'000
1 January 2013	3,580	805	—	—	(56,520)	(52,135)
Total comprehensive loss for the year	—	—	—	—	(14,795)	(14,795)
Exercise of share options	584	(282)	—	—	—	302
Conversion of redeemable convertible preferred shares	80,762	—	—	—	—	80,762
Equity-settled share option arrangement	—	1,030	—	—	—	1,030
Issuance of shares for the IPO	94,844	—	—	—	—	94,844
Issuance of shares under the over-allotment option	17,741	—	—	—	—	17,741
Share issuance expenses	(5,109)	—	—	—	—	(5,109)
Dividend declared and paid to then existing shareholders	(4,923)	—	—	—	—	(4,923)
Proposed 2013 final dividend	(2,879)	—	—	—	—	(2,879)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

31. RESERVES (Continued)

(b) Company (Continued)

	Share premium US$'000	Share option reserve US$'000	Shares held for share award scheme US$'000	Available-for-sale investment revaluation reserve US$'000	Accumulated deficits US$'000	Total US$'000
At 31 December 2013 and 1 January 2014	184,600	1,553	—	—	(71,315)	114,838
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(11)	—	(11)
Profit for the year	—	—	—	—	1,895	1,895
Total comprehensive income for the year	—	—	—	(11)	1,895	1,884
Exercise of Employee Stock Ownership Plan	636	(137)	—	—	—	499
Equity-settled share option arrangement	—	2,269	—	—	—	2,269
Shares purchased for Share Award Schemes	—	—	(4,300)	—	—	(4,300)
2014 interim dividend paid	(9,885)	—	—	—	—	(9,885)
At 31 December 2014	175,351	3,685	(4,300)	(11)	(69,420)	105,305

Pursuant to the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

32. CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, neither the Group nor the Company had any significant contingent liabilities.

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	US$'000	US$'000
Within one year	**1,903**	1,526
In the second to fifth years, inclusive	**4,774**	696
After five years	**4,167**	—
	10,844	2,222

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	US$'000	US$'000
Contracted, but not provided for:		
Leasehold improvements	**261**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	Group 2014 US$'000	Group 2013 US$'000
Consulting services fee paid to Hongbin You	(i)	**51**	45
Research and development services fee paid to GameCoreTech	(ii)	**229**	150
		280	195

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

Notes:

(i) Hongbin You is a company wholly owned by Ms. Hongbin You, who is a sister-in-law of Mr. Hong Zhang, a member of the Controlling Shareholders.

The consulting services fee is determined based on the amounts agreed by the mutual parties.

(ii) GameCoreTech Software Corporation ("GameCoreTech") is a company wholly owned by Mr. Neng Xu, who is Mr. Yuan Xu's brother. Mr. Yuan Xu is a member of the Controlling Shareholders.

The research and development services fee is determined based on the amounts agreed by the mutual parties.

(b) Outstanding balance with a related party

The balance with a related party is unsecured, interest-free and has no fixed terms of repayment.

(c) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 9 above, is as follows:

	Group 2014 US$'000	Group 2013 US$'000
Short term employee benefits	**1,640**	935
Equity-settled share option expense	**433**	56
	2,073	991

(d) Capital contribution injected to Tapcash Cayman by key management amounted to US$480,000. Tapcash Cayman is a 60% owned subsidiary of IGG Singapore, as detailed in note 18 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2014

	Group			
Financial assets	**Financial assets at fair value through profit or loss – Designated as such upon initial recognition US$'000**	**Loans and receivables US$'000**	**Available-for-sale financial assets US$'000**	**Total US$'000**
Interests in an associate – non-redeemable convertible preferred shares (note 19)	2,720	—	—	2,720
Available-for-sale investments (note 20)	—	—	4,497	4,497
Other non-current assets	—	374	—	374
Funds receivable	—	16,889	—	16,889
Accounts receivable (note 21)	—	2,375	—	2,375
Financial assets included in prepayments, deposits and other receivables	—	1,473	—	1,473
Time deposits with original maturity of over three months	—	54,000	—	54,000
Cash and cash equivalents (note 23)	—	127,088	—	127,088
	2,720	202,199	4,497	209,416

	Group
Financial liabilities	**Financial liabilities at amortised cost US$'000**
Accounts payable (note 24)	7,572
Financial liabilities included in other payables and accruals	2,606
	10,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2013

Financial assets	Group Loans and receivables US$'000
Other non-current assets (note 17)	157
Funds receivable	12,248
Accounts receivable (note 21)	314
Financial assets included in prepayments, deposits and other receivables	449
Cash and cash equivalents (note 23)	135,488
	148,656

Financial liabilities	Group Financial liabilities at amortised cost US$'000
Accounts payable (note 24)	3,228
Financial liabilities included in other payables and accruals	2,392
	5,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2014

	Company			
Financial assets	**Financial assets at fair value through profit or loss – Designated as such upon initial recognition US$'000**	**Loans and receivables US$'000**	**Available-for-sale financial assets US$'000**	**Total US$'000**
Interests in an associate – non-redeemable convertible preferred shares (note 19)	2,720	—	—	2,720
Available-for-sale investments (note 20)	—	—	2,034	2,034
Due from subsidiaries	—	62,580	—	62,580
Cash and cash equivalents (note 23)	—	31,591	—	31,591
	2,720	94,171	2,034	98,925

	Company
Financial liabilities	**Financial liabilities at amortised cost US$'000**
Due to subsidiaries	240
Financial liabilities included in other payables and accruals	245
	485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2013

Financial assets	Company Loans and receivables US$'000
Due from subsidiaries	20,382
Cash and cash equivalents (note 23)	93,477
	113,859

Financial liabilities	Company Financial liabilities at amortised cost US$'000
Due to subsidiaries	262
Financial liabilities included in other payables and accruals (note 36)	14
	276

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	US$' 000	US$' 000	**US$' 000**	US$' 000
Financial assets				
Interests in an associate				
– non-redeemable convertible				
preferred shares (note19)	**2,720**	—	**2,720**	—
Available-for-sale investments-listed				
equity instruments (note 20)	**2,497**	—	**2,497**	—
Other non-current assets	**374**	157	**370**	156
	5,591	157	**5,587**	156

Company	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	US$' 000	US$' 000	**US$' 000**	US$' 000
Financial assets				
Interests in an associate				
– non-redeemable convertible				
preferred shares (note 19)	**2,720**	—	**2,720**	—
Available-for-sale investments-listed				
equity instruments (note 20)	**34**	—	**34**	—
	2,754	—	**2,754**	—

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, funds receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the corporate finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 2014:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Interest in an associate – non-redeemable convertible preferred shares (note 19)	Discounted cash flow and option pricing method	Long term operating margin	2014: (normalised) 9% to 34%	10% increase (decrease) in operating margin would result in increase (decrease) in fair value by US$1,584,000 (US$1,098,000)
		Weighted average cost of capital (WACC)	2014: 30%	5% increase (decrease) in WACC would result in decrease (increase) in fair value by US$574,000 (US$1,871,000)
		Discount for lack of marketability	2014: 32%	5% increase (decrease) in discount would result in decrease (increase) in fair value by US$241,000 (US$636,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2014	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	US$' 000	**US$' 000**	**US$' 000**	**US$' 000**
Available-for-sale investments – listed equity instruments (note 20)	2,497	—	—	2,497
Interests in an associate (note 19) non-redeemable convertible preferred shares	—	—	2,720	2,720
	2,497	—	2,720	5,217

The Group did not have any financial assets measured at fair value as at 31 December 2013.

The movement in fair value measurements in Level 3 during the year are as follows:

Group	**2014**
	US$' 000
Interests in an associate - non-redeemable convertible preferred shares:	
At 1 January	—
Addition	2,720
Total gain/(loss) recognised in the statement of profit or loss	—
At 31 December	2,720

The change in fair value of non-redeemable convertible preferred shares between the acquisition date and 31 December 2014 is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value:

Company

As at 31 December 2014	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Available-for-sale investments – listed equity instruments (note 20)	34	—	—	34
Interests in an associate -non-redeemable convertible preferred shares (note 19)	—	—	2,720	2,720
	34	—	2,720	2,754

The Company did not have any financial assets measured at fair value as at 31 December 2013.

The movement in fair value measurements in Level 3 during the year are as follows:

Company	2014
	US$'000
Interests in an associate - non-redeemable convertible preferred shares:	
At 1 January	—
Addition	2,720
Total gain/(loss) recognised in the statement of profit or loss	—
At 31 December	2,720

The change in fair value of non-redeemable convertible preferred shares between the acquisition date and 31 December 2014 is immaterial.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets for which fair values are disclosed

Group

As at 31 December 2014	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current rental deposits	**—**	**370**	**—**	**370**

Assets for which fair values are disclosed

Group

As at 31 December 2013	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Non-current rental deposits	—	156	—	156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

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 currencies. Approximately 23.4% (2013: 11.7%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales.

To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of US$ against RMB and HKD, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax US$'000
2014		
If US$ weakens against RMB	**(5%)**	**(360)**
If US$ strengthens against RMB	**5%**	**360**
If US$ weakens against HKD	**(5%)**	**(706)**
If US$ strengthens against HKD	**5%**	**706**
2013		
If US$ weakens against RMB	(5%)	(817)
If US$ strengthens against RMB	5%	817
If US$ weakens against HKD	(5%)	4,662
If US$ strengthens against HKD	5%	(4,662)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of each of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014	
	Within 1 year	**Total**
	US$'000	**US$'000**
Accounts payable (note 24)	**7,572**	**7,572**
Financial liabilities included in other payables and accruals	**2,606**	**2,606**
	10,178	**10,178**

	2013	
	Within 1 year	Total
	US$'000	US$'000
Accounts payable (note 24)	3,228	3,228
Financial liabilities included in other payables and accruals	2,392	2,392
	5,620	5,620

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2014	
	Within 1 year	**Total**
	US$'000	**US$'000**
Due to subsidiaries	**240**	**240**
Financial liabilities included in other payables and accruals	**245**	**245**
	485	**485**

	2013	
	Within 1 year	Total
	US$'000	US$'000
Due to subsidiaries	262	262
Financial liabilities included in other payables and accruals	14	14
	276	276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, polices or processes for managing capital during the reporting period.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities, excluding the redeemable convertible preferred shares, divided by total assets. Capital represents total equity/(deficits) as shown in the consolidated statement of financial position.

	Group	
	2014	2013
	US$' 000	US$' 000
Total current liabilities	**29,852**	15,356
Total non-current liabilities	**457**	317
	30,309	15,673
Total current assets	**203,834**	149,083
Total non-current assets	**13,740**	2,363
	217,574	151,446
Gearing ratio	**13.9%**	10.3%

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 March 2015.

FINANCIAL SUMMARY

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last three financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December		
	2014	2013	2012
	US$'000	US$'000	US$'000
Results			
REVENUE	**204,612**	87,986	43,154
Cost of sales	**(58,827)**	(22,264)	(10,358)
Gross profit	**145,785**	65,722	32,796
Other income and gains	**4,110**	592	422
Selling and distribution expenses	**(43,064)**	(23,246)	(12,071)
Administrative expenses	**(16,672)**	(10,855)	(7,093)
Research and development costs	**(17,202)**	(9,333)	(6,331)
Fair value loss of redeemable convertible preferred shares	**—**	(14,167)	(20,612)
Other expenses	**(1,342)**	(452)	(57)
PROFIT/(LOSS) BEFORE TAX	**71,615**	8,261	(12,946)
Income tax expense	**(5,223)**	(1,313)	(163)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**66,392**	6,948	(13,109)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	**—**	—	(326)
PROFIT/(LOSS) FOR THE YEAR	**66,392**	6,948	(13,435)
Attributable to:			
Owners of the parent	**66,373**	6,948	(13,435)
Non-controlling interests	**19**	—	—

FINANCIAL SUMMARY

	As at 31 December		
	2014	2013	2012
	US$'000	US$'000	US$'000
Assets, Liabilities and Equity			
TOTAL ASSETS	**217,574**	151,446	21,526
TOTAL LIABILITIES	**30,295**	15,673	77,367
TOTAL EQUITY	**187,279**	135,773	(55,841)

DEFINITIONS

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

"Articles of Association" or "Articles"	the articles of association of the Company adopted by the written resolution of the Shareholders on 16 September 2013 and as amended, supplemented and otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of directors of the Company
"business day"	a day on which banks in Hong Kong and Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or Cayman Islands
"BVI"	British Virgin Islands
"China" or "PRC"	the People's Republic of China, excluding for the purpose of the annual report, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "IGG" or "our Company"	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the GEM
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
"Corporate Governance Code"	Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules
"Deed of Non-competition"	the deed of non-competition dated 16 September 2013 given by the Controlling Shareholders in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time) regarding the non-competition undertaking
"Director(s)"	the director(s) of the Company

DEFINITIONS

"Duke Online"	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai, one of the Controlling Shareholders
"Edmond Online"	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, 80% of issued share capital of which is owned by Mr. Yuan Chi, one of the Controlling Shareholders
"Founders"	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)
"Fuzhou Tianji"	Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group
"Fuzhou Tianmeng"	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
"Group", "we", "our", or "us"	the Company and its subsidiaries
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"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 HK"	Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司), a company incorporated under the laws of Hong Kong on 20 February 2006, a wholly-owned subsidiary of the Group
"IGG Philippines"	IGG Philippines Corp., a company incorporated under the laws of the Philippines on 11 January 2013, which is wholly owned by IGG Singapore
"IGG Singapore"	IGG Singapore Pte. Ltd. (formerly known as Skyunion Pte. Ltd.), a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Group
"IGG US"	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Group

DEFINITIONS

"Independent Third Party(ies)"	individual(s) or company(ies) who is/are not connected with (within the meaning of the GEM 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 Stock Exchange
"MAU"	monthly active users: the number of individual who login to a particular game during the 30-day period ending with the measurement date
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013
"Pre-IPO Share Option Scheme"	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus of the Company dated 11 October 2013
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	means share(s) of US$0.0000025 each in the share capital of the Company
"Share Award Scheme"	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013
"Shareholder(s)"	the shareholder(s) of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus

DEFINITIONS

"Structured Contracts"	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"U.S. dollar(s)" or "US$" or "USD" and "Cents"	United States dollars and cents, respectively, the lawful currency of the United States of America
"Vertex"	Vertex Asia Investments Pte. Ltd. (or its affiliates or successors), a company incorporated under the law of Singapore on 20 April 2011 which is ultimately wholly owned by Temasek Holdings (Private) Limited
"%"	per cent.

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