

# 2015

FIRST  
QUARTERLY  
REPORT



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.

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## HIGHLIGHTS

### For the three months ended 31 March

	2015		2014	
	US\$'000	HK\$'000 <sup>2</sup>	US\$'000	HK\$'000 <sup>2</sup>
	(Unaudited)		(Unaudited)	
Revenue	<b>53,585</b>	<b>415,578</b>	44,055	341,669
Profit for the Period	<b>13,990</b>	<b>108,499</b>	13,647	105,839
Profit for the Period attributable to owners of the parent	<b>13,949</b>	<b>108,181</b>	13,647	105,839
Adjusted net income <sup>1</sup>	<b>14,797</b>	<b>114,758</b>	13,821	107,189

- The Group's revenue for the Period was approximately US\$53.6 million, representing an increase of approximately 21.5% over the revenue of approximately US\$44.1 million for the corresponding period in 2014 and a decrease of approximately 11.4% over US\$60.5 million for the three months ended 31 December 2014.
- The Group's profit for the Period was approximately US\$14.0 million, representing an increase of approximately 2.9% over US\$13.6 million for the corresponding period in 2014 and a decrease of approximately 7.3% over US\$15.1 million for the three months ended 31 December 2014.
- The Group's profit attributable to owners of the parent for the Period was approximately US\$13.9 million, representing an increase of approximately 2.2% over US\$13.6 million for the corresponding period in 2014 and a decrease of approximately 9.2% over US\$15.3 million for the three months ended 31 December 2014.
- The Group's adjusted net income for the Period was approximately US\$14.8 million, representing an increase of 7.2% over US\$13.8 million for the corresponding period in 2014 and a decrease of approximately 6.9% over US\$15.9 million for the three months ended 31 December 2014.
- The Directors of the Company resolved not to declare any dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: nil).

<sup>1</sup> *Adjusted net income represented profit excluding share-based compensation. It is considered a useful supplement to the condensed consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.*

<sup>2</sup> *Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK\$7.7555=US\$1.00, for illustration purpose only. Such conversions shall not be construed as representations that amount in U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.*

## FIRST QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated quarterly results and the unaudited condensed consolidated financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2014. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors and non-executive Directors, with one of the independent non-executive Directors chairing the audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<u>For the three months ended 31 March</u>	
	Notes	2015 US\$'000 (Unaudited)	2014 US\$'000 (Unaudited)
REVENUE	3	53,585	44,055
Cost of sales		<u>(16,663)</u>	<u>(11,876)</u>
Gross profit		36,922	32,179
Other income and gains	3	696	174
Selling and distribution expenses		(10,813)	(11,064)
Administrative expenses		(5,526)	(2,985)
Research and development costs		(5,607)	(3,261)
Other expenses		<u>(678)</u>	<u>(361)</u>
PROFIT BEFORE TAX		14,994	14,682
Income tax expense	4	<u>(1,004)</u>	<u>(1,035)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>13,990</b></u>	<u><b>13,647</b></u>
Attributable to:			
Owners of the parent		13,949	13,647
Non-controlling interests		41	—
		<u><b>13,990</b></u>	<u><b>13,647</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	6		
(expressed in US\$ per share)			
Basic			
– For earnings for the period		0.0102	0.0100
Diluted			
– For earnings for the period		0.0098	0.0095

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>For the three months ended 31 March</u>	
	<b>2015</b>	2014
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
PROFIT FOR THE PERIOD	<b>13,990</b>	13,647
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(292)</b>	(23)
Available-for-sale investments:		
Changes in fair value	<b>(534)</b>	158
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>(826)</b>	135
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>13,164</b>	13,782
Attributable to:		
Owners of the parent	<b>13,123</b>	13,782
Non-controlling interests	<b>41</b>	—
	<b>13,164</b>	13,782

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital	Share premium account	Share option reserve	Shares held for share award schemes	Available-for-sale investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	3	185,236	3,685	(4,300)	(790)	88	8	(373)	3,223	186,780	499	187,279
Profit for the period	—	—	—	—	—	—	—	—	13,949	13,949	41	13,990
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	(534)	—	—	—	—	(534)	—	(534)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(292)	—	(292)	—	(292)
Total comprehensive income for the period	—	—	—	—	(534)	—	—	(292)	13,949	13,123	41	13,164
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	240	240
Equity-settled share option arrangement	—	—	807	—	—	—	—	—	—	807	—	807
Exercise of share option	—	962	(327)	—	—	—	—	—	—	635	—	635
Vesting of awarded shares	—	104	(367)	263	—	—	—	—	—	—	—	—
At 31 March 2015 (unaudited)	3	186,302	3,798	(4,037)	(1,324)	88	8	(665)	17,172	201,345	780	202,125



## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the parent												
	Issued capital	Share premium account	Share option reserve	Shares held for award schemes	Available-for-sale investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Accumulated losses	Proposed final dividend	Non-controlling Total interests	Total equity	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 1 January 2014	3	184,675	1,553	—	—	88	8	(93)	(53,265)	2,804	135,773	—	135,773
Profit for the period	—	—	—	—	—	—	—	—	13,647	—	13,647	—	13,647
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	158	—	—	—	—	—	158	—	158
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(23)	—	—	(23)	—	(23)
Total comprehensive income for the period	—	—	—	—	158	—	—	(23)	13,647	—	13,782	—	13,782
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	480	480
Equity-settled share option arrangement	—	—	174	—	—	—	—	—	—	—	174	—	174
Shares purchased for share award schemes	—	—	—	(242)	—	—	—	—	—	—	(242)	—	(242)
Exercise of share option	—	24	(7)	—	—	—	—	—	—	—	17	—	17
At 31 March 2014 (unaudited)	3	184,699	1,720	(242)	158	88	8	(116)	(39,618)	2,804	149,504	480	149,984

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

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

## 2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 December 2014. The unaudited condensed consolidated financial information has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee.

The financial information prepared under the historical cost convention, except for 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. The financial information is presented in United States Dollar and all values are rounded to the nearest thousand except when otherwise indicated.

## 3. REVENUE, OTHER INCOME AND GAINS

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

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

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
Online game revenue	<b>52,171</b>	43,607
Joint operation revenue	<b>1,293</b>	432
Others	<b>121</b>	16
	<b>53,585</b>	44,055
<b>Other income and gains</b>		
Dividend income from available-for-sale listed investments	<b>459</b>	—
Government Grant	<b>37</b>	17
Bank interest income	<b>170</b>	88
Exchange gain	<b>—</b>	34
Others	<b>30</b>	35
	<b>696</b>	174



#### 4. INCOME TAX

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

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

IGG Singapore 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 three months ended 31 March 2015 (2014: 5%).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods (2014: Nil).

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the three months ended 31 March 2015 (2014: 25%) on their respective taxable income, except for Fuzhou Tianmeng which was certified as software enterprises and is entitled to a 50% reduction in taxation for the three months ended 31 March 2015 (2014: 50% reduction in taxation).

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

Corporate income tax provision has been provided for the three months ended 31 March 2015 for the entities within the Group which were incorporated in East Asia and North America to the extent that there were estimated assessable profits under these jurisdictions. There is no significant amount of assessable profits derived from those subsidiaries.

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current period provision:		
US	<b>37</b>	51
Singapore	<b>899</b>	1,070
Subtotal of current tax	<b>936</b>	1,121
Deferred tax		
US	<b>36</b>	(46)
Singapore	<b>32</b>	4
PRC	—	(44)
Subtotal of deferred tax	<b>68</b>	(86)
Total tax charge for the period	<b>1,004</b>	1,035

## 5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2015 (2014: Nil).

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

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

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

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

	<b>For the three months ended 31 March</b>	
	<b>2015</b>	2014
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<b>13,949</b>	13,647
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,368,965,288</b>	1,359,049,560
Effect of dilution—weighted average number of ordinary shares:		
Share options	<b>60,003,395</b>	81,390,683
Awarded shares	<b>757,371</b>	1,001
	<b>1,429,726,054</b>	1,440,441,244

## 7. CONTINGENT LIABILITIES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

During the Period, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2015, the Group has maintained its focus on (i) developing mobile games, and (ii) marketing and operating the Group's mobile games globally, including setting up local teams in key markets around the world to tap into local knowledge for more effective game operations, and also using the Group's mobile advertising platform and game publishing expertise to promote the third-party developers' games globally.

### Mobile Games

During the Period, the Group kept on developing new games based on its strong game research and development capabilities and spirit of continuous innovation. During the Period, the Group fully focused on the development of mobile games applications.

Revenue from mobile games accounted for approximately 92.9% of the total revenue for the Period, as compared to 85.3% from the corresponding period in 2014. In particular, the Group's hit title "Castle Clash", a fast-paced tower defense game, has enjoyed widespread popularity. It ranked top five in 13 countries and regions and top ten in 46 countries and regions in terms of daily revenue rankings generated via Google Play as at 31 March 2015, according to Appannie.com, an independent third party provider of mobile application analytics. 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 up a large community of loyal gamers around the world along the way. The Arabic and Vietnamese versions of "Castle Clash" were released in the first quarter of 2015. The game is now available in 15 languages on Android, iOS, Amazon and Windows Phone platforms, making it easily accessible to a majority of gamers in many parts of the world. As of 31 March 2015, the MAU of the game was over 10 million.

## BUSINESS REVIEW (Continued)

### Mobile Games (Continued)

The Group's another mobile game, "Clash of Lords II", which is a fantasy strategy game with a wide array of cannons, traps and defenses, has continued to enjoy widespread popularity with gamers. With the release of the Spanish and Italian versions of "Clash of Lords II" in the first quarter of 2015, the game is now available in 9 languages. The MAU for the "Clash of Lords" series was approximately 4.0 million as at 31 March 2015.

"Deck Heroes", another one of the Group's self-developed games, has been performing well since its English and traditional Chinese versions were released on the Android platform in 2014. Besides, such game was made available in German and French versions on the Android platform, as well as English version on the iOS App Store, in the first quarter of 2015.

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

### Global Presence

To strengthen its presence in Asia, the Group has set up regional offices in Korea, Japan and Thailand in the first quarter of 2015, recruiting local talent for game development and operations. It will boost the Group's ability to produce and launch games to suit local market tastes and demands effectively. As at 31 March 2015, the Group has regional offices in 9 countries and regions. The Group also has outsourcing arrangements in place with companies in mainland China, Korea and Taiwan to develop new games and operate its own games.

During the Period, the Group's customers consisted of players with IP addresses from more than 200 countries and regions around the world, emphasizing the Group's international reach. The Group continued to design, develop and launch games in multiple languages, distribute and promote the games in different countries in accordance with its global marketing strategy. As at 31 March 2015, the user community of the Group consisted of over 240 million player accounts around the world, including a total MAU of approximately 20.7 million. During the Period, approximately 39.6%, 29.3% and 25.1% of the total revenue of the Group was generated from players with IP addresses in North America, Europe and Asia, respectively.

## New European Union value-added tax changes

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

## Prospects

For existing games, the Group will work to increase revenue from "Castle Clash" on the iOS platform, where the game still has considerable growth potential. At the same time, the development team will continue to introduce new modes of play for the game, including multi-player gauntlet-style defense, a "Coliseum" mode that focuses on dueling, and "ambushes" to increase the tactical complexity of battles. The Group will also release "Clash of Lords II" in more languages, and continue to seek co-publishing opportunities with game platforms. In the short- to mid-term, the game should see continued revenue growth from newly-acquired users.

The Group expects to launch about 30 games by the end of 2015, consisting both self-developed and outsourced mobile games ranging from mid-core games such as SLG, Trading Card and APRG types to casual games such as Shooting and Marble types. Starting from June 2015, the Group expects to launch a number of new blockbusters. This includes a major action-fantasy strategy title "Game of Kings", in which the avatars can fight automatically, but players will need to control their avatars' skills and time their attacks to win; players also need to manage their resources, build their home base, collect and train avatars, and strike a balance between attack and defence. Apart from "Game of Kings", a semi-realtime RPG card game "Final Fable" adopting the themes of fairy-tale fantasies; a western fantasy turn-based RPG game "Brave Quest", and a war-strategy RPG game "Age of Kingdoms" are three other new titles to be launched in the coming months. It is expected these games will become the new growth engines of the Group.

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 during the Period, 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, making 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. During the Period, the Group has continued to set up its advertisement platform, as compared to its previous reliance on third-party advertisement platforms. The Company increased its investment in Tapcash Cayman, the investment holding company to hold the Group's advertising business companies pursuant to a share subscription agreement dated 9 March 2015, details of which are set forth in the Company's announcement on the same date. In addition, the Group has adopted the Tapcash Subsidiary Share Option Scheme to enhance the ability of Tapcash Cayman and its subsidiaries to attract, retain and motivate important personnel. The Tapcash Subsidiary Share Option Scheme was approved by the Shareholders at the annual general meeting on 5 May 2015. The Group expects to further expand its advertising business to further stimulate the Group's online game business.

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

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. One of the companies invested by the Group is Nerd Kingdom, a game developer based in the United States. Nerd Kingdom was established in 2010 by a team comprising a data scientist, an economist, a nuclear engineer and computer scientist, and a gaming industry veteran. Nerd Kingdom brings an interdisciplinary perspective to games and technology, and has created the Eternus engine, a game engine on which its flagship game, TUG, is being built. TUG is a sandbox game that encourages social collaboration, learning, and competition within a real time virtual space. The game is currently in alpha stage.

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Period was approximately US\$53.6 million, representing an increase of approximately 21.5% over US\$44.1 million for the corresponding period in the year of 2014, primarily due to the increase in revenue generated from mobile games, particularly the "Clash of Lords" series and Deck Heroes. The Group's revenue for the Period decreased by approximately 11.4% over US\$60.5 million for the fourth quarter of 2014, primarily due to: (i) from 1 January 2015, the European Union implemented changes to its tax system, as a result of which the Group's revenue from European Union countries are now subject to value added tax, so while turnover from the region remained stable, revenue that can be recognized was reduced, (ii) the depreciation of the Russian Rouble led to a decline in revenue from Russia due to foreign exchange losses, and (iii) most of the Group's new games are scheduled for launch starting from June 2015, hence there was less contribution from new games in the first quarter.

### Gross profit and gross profit margin

The Group's gross profit for the Period was approximately US\$36.9 million, representing an increase of approximately 14.6% over US\$32.2 million for the corresponding period in the year of 2014, primarily due to the increase in the revenue generated from mobile games.

The Group's gross profit margin for the Period was 68.8%, representing a decrease of approximately 4.2% over 73.0% for the corresponding period in the year of 2014, 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 Period was approximately US\$0.7 million, compared to approximately US\$0.2 million for the corresponding period in the year of 2014. The increase was primarily due to a special dividend resulting from investment in portfolio company as well as the increase of interest income.

### Selling and distribution expenses

The Group's selling and distribution expenses for the Period were approximately US\$10.8 million, representing a decrease of approximately 2.7% over US\$11.1 million for the corresponding period in the year of 2014. Ratio of selling and distribution expenses to revenue for the Period was 20.1%, representing a decrease of approximately 5.1% over approximately 25.2% for the corresponding period in the year of 2014. The Group's selling and distribution expenses for the Period decreased by approximately 21.2% over US\$13.7 million for the fourth quarter of 2014 and the ratio of selling and distribution expenses to revenue decreased by approximately 2.5% over approximately 22.6% for the fourth quarter of 2014, which indicates that the Group's advertising activities are conducted in a more effective manner.

### Administrative expenses

The Group's administrative expenses for the Period were approximately US\$5.5 million, representing an increase of approximately 83.3% over US\$3.0 million for the corresponding period in the year of 2014, primarily due to (i) the increase in salaries, performance-based bonus and welfare expenses attributable to the enlargement of administrative staff, (ii) the increase in Share-based payments expenses in connection with the share options and awarded shares granted to administrative staff, and (iii) expenses in relation to the Transfer of Listing. The Group's administrative expenses for the Period kept stable compared to approximately US\$5.5 million for the fourth quarter of 2014.

### Research and development costs

The Group's research and development costs for the Period were approximately US\$5.6 million, representing an increase of approximately 69.7% over US\$3.3 million for the corresponding period in the year of 2014, primarily due to (i) the increase in salaries and performance-based bonus payable to game development team, (ii) the increase in Share-based payments expenses in connection with the share options and awarded shares granted to game developing team, and (iii) the increase in research and development outsourcing expenses attributable to the enrichment of our product portfolio. The Group's research and development costs for the Period kept stable compared to approximately US\$5.6 million for the fourth quarter of 2014.

### Income tax expenses

The Group's income tax expenses for the Period were approximately US\$1.0 million, kept stable compared to approximately US\$1.0 million for the corresponding period in the year of 2014, due to the relatively similar level of profit before tax.

### Adjusted net income

The Group's adjusted net income for the Period was approximately US\$14.8 million, representing an increase of approximately 7.2% over US\$13.8 million for the corresponding period in 2014, primarily due to the increase in revenue. The Group's adjusted net income for the Period decreased by 6.9% over US\$15.9 million for the fourth quarter of 2014, which was relatively slight compared to the decrease magnitude of 11.4% in revenue, primarily due to more effective advertising activities. We have presented adjusted net income for the Period as we believe that the adjusted net income for the Period is a meaningful supplement to the income statement



data because it enables us to measure our profitability without taking into consideration of share-based compensation. However, adjusted net income for the Period should not be considered in isolation or construed as an alternative to net income or operating income, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted net income for the Period presented herein may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

### Dividend

The Board resolved not to declare any dividend for the Period.

### Contingent liabilities

As at 31 March 2015, the Group did not have any significant contingent liabilities (31 March 2014: nil).

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

### USE OF PROCEEDS

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

During the Period, except that on 23 March 2015 (1) Mr. Zongjian Cai and Mr. Yuan Chi, both of whom are executive Directors, were granted with 332,000 and 486,000 share options under the Share Option Scheme, respectively, (2) each of the non-executive Directors was granted with 350,000 share options under the Share Option Scheme, and (3) each of the independent non-executive Directors was granted with 250,000 share options under the Share Option Scheme, none of the Directors or chief executives of the Company held any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme.

### 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 during the Period and up to the date hereof.

## 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 March 2015, 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	Approximate 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	426,466,657 (Notes 1, 3)	30.70%	15,236,000 (Notes 3, 4)	1.10%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	426,466,657 (Notes 2, 3)	30.70%	15,236,000 (Notes 3, 4)	1.10%
Mr. Xiaojun Li	Beneficial owner	—	—	350,000 (Note 5)	0.03%
Mr. Kee Lock Chua	Beneficial owner	—	—	350,000 (Note 6)	0.03%
Dr. Horn Kee Leong	Beneficial owner	—	—	250,000 (Note 7)	0.02%
Ms. Lu Zhao	Beneficial owner	—	—	250,000 (Note 8)	0.02%
Mr. Dajian Yu	Beneficial owner	400,000	0.03%	250,000 (Note 9)	0.02%

Notes:

- (1) Mr. Zongjian Cai is interested in all the issued share capital of 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% of the issued share capital of 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.

## DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO (Continued)

### (a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures (Continued)

Notes: (Continued)

- (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.
- (4) Mr. Zongjian Cai is deemed to be interested in the 332,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 486,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in (i) the 613,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme; and (ii) 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 deemed to be interested in (i) the 605,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme; and (ii) 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) 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 23 March 2015 under the Share Option Scheme.
- (6) Mr. Kee Lock Chua 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 23 March 2015 under the Share Option Scheme.
- (7) Dr. Horn Kee Leong 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 23 March 2015 under the Share Option Scheme.
- (8) 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 23 March 2015 under the Share Option Scheme.
- (9) 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 23 March 2015 under the Share Option Scheme.

Save as disclosed above, as of 31 March 2015, 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.

**DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO (Continued)**

**(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 March 2015, 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	Approximate percentage of shareholding	Number of underlying Shares	Approximate percentage of shareholding
Duke Online	Beneficial owner, interests held jointly with another person	426,466,657 <i>(Notes 1, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	426,466,657 <i>(Notes 1, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Edmond Online	Beneficial owner, interests held jointly with another person	426,466,657 <i>(Notes 2, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	426,466,657 <i>(Notes 2, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Mr. Yuan Xu	Beneficial owner, interests held jointly with another person	426,466,657 <i>(Notes 3, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Mr. Hong Zhang	Beneficial owner, interests held jointly with another person	426,466,657 <i>(Notes 4, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Ms. Kai Chen	Beneficial owner, spouse interest, interests held jointly with another person	426,466,657 <i>(Notes 5, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%
Mr. Zhixiang Chen	Beneficial owner, interests held jointly with another person	426,466,657 <i>(Notes 6, 7)</i>	30.70%	15,236,000 <i>(Notes 3, 4, 7, 8, 9)</i>	1.10%

**DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO (Continued)**
**(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares (Continued)**

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding	Number of underlying Shares	Approximate percentage of shareholding
IDG-Accel China Growth Fund II L.P.	Beneficial owner	175,892,880 <i>(Note 10)</i>	12.66%	—	—
IDG-Accel China Growth Fund II Associates L.P.	Interest in a controlled corporation	175,892,880 <i>(Note 10)</i>	12.66%	—	—
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in a controlled corporation	190,277,880 <i>(Note 10)</i>	13.70%	—	—
Ho Chi Sing	Interest in a controlled corporation	190,277,880 <i>(Note 10)</i>	13.70%	—	—
Zhou Quan	Interest in a controlled corporation	190,277,880 <i>(Note 10)</i>	13.70%	—	—
Vertex	Beneficial owner	119,225,000 <i>(Note 11)</i>	8.58%	—	—
Temasek Holdings (Private) Limited	Interest in a controlled corporation	119,225,000 <i>(Note 11)</i>	8.58%	—	—

## Notes:

- (1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is the sole director of Duke Online, therefore he is therefore 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% of the issued share capital of Edmond Online and he is the sold 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 29,937,638 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.

## DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO (Continued)

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

Notes: (Continued)

- (4) Mr. Hong Zhang is the beneficial owner of 11,702,040 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) Mr. Zhixiang Chen is the beneficial owner of 30,200,000 Shares.
- (7) 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.
- (8) Mr. Zongjian Cai is deemed to be interested in the 332,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 486,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 613,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 605,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.
- (9) On 23 March 2015, 2,906,000 share options which were previously granted to Mr. Zongjian Cai, Mr. Yuan Chi, Mr. Yuan Xu, Mr. Hong Zhang under the Share Option Scheme were cancelled at their written request.

**DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO (Continued)****(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares (Continued)**

Notes: (Continued)

- (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 March 2015, 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.



### 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 written resolutions of all the Shareholders. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 23 of the GEM Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

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 outstanding options under the Pre-IPO Share Option Scheme represent share options originally granted by the Company to the grantees on 20 January 2007, 1 July 2007, 1 July 2008, 5 December 2008, 19 March 2009, 1 August 2009, 1 November 2009, 18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011, 2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, and 31 March 2013, respectively, in respect of the Shares in the Company. As of the Listing Date, a total of 224 participants, including three members of the senior management and seven connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. The Company should not grant any share options under the Pre-IPO Share Option Scheme after the Listing.

Share options granted under the Pre-IPO Share Option Scheme shall mainly 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:

<b>Period within which option can be exercised</b>	<b>Maximum percentage of entitlement</b>
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%

### PRE-IPO SHARE OPTION SCHEME (Continued)

Below table set forth the exercise price of the share options granted on respective dates:

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

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the Period by category of grantees were as follows:

Category of grantees	Outstanding as at 31 December 2014	Number of Pre-IPO share options			Outstanding as at 31 March 2015
		Exercised during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	
Senior management	13,200,000	—	—	—	13,200,000
Connected persons (other than members of the senior management)	9,895,000	7,105,000	—	—	2,790,000
Other grantees who have been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	10,838,000	4,780,000	—	—	6,058,000
Other grantees (total 183 grantees)	39,741,500	6,482,666	445,000	—	32,453,834
<b>Total</b>	<b>73,674,500</b>	<b>18,727,666</b>	<b>445,000 (Note 1)</b>	<b>—</b>	<b>54,501,834</b>

Note:

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

Save as disclosed above, no share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the Period.

## SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 16 September 2013 for the purpose of giving 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, 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 up to the date of the latest grant 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 exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

On 23 March 2015, the Board (including all independent non-executive Directors) resolved to grant a total of 6,339,000 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 the same date, an aggregate of 9,742,500 old share options previously granted pursuant to the Share Option Scheme were cancelled, following the receipt by the Company of irrevocable written requests issued by the relevant grantees.

### SHARE OPTION SCHEME (Continued)

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

Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2014	Number of share options			Outstanding as at 31 March 2015
				Granted during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	
<b>Directors</b>							
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	—
<b>Other connected persons</b>							
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	—
<b>Other employees and eligible persons</b>	25 March 2014	HK\$8.96	2,099,500	—	100,000	1,999,500	—
<b>Directors</b>							
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	—
<b>Other employees and eligible persons</b>	12 May 2014	HK\$5.88	1,300,000	—	—	1,300,000	—

**SHARE OPTION SCHEME (Continued)**

Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2014	Number of share options			Outstanding as at 31 March 2015
				Granted during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	
<b>Directors</b>							
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	—
<b>Other connected persons</b>							
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	—
<b>Other employees and eligible persons</b>	11 August 2014	HK\$5.47	1,800,000	—	180,000	1,135,000	485,000
<b>Other employees and eligible persons</b>	21 November 2014	HK\$3.51	1,267,000	—	—	100,000	1,167,000
<b>Directors</b>							
Mr. Zongjian Cai	23 March 2015	HK\$3.90	—	332,000	—	—	332,000
Mr. Yuan Chi	23 March 2015	HK\$3.90	—	486,000	—	—	486,000
Mr. Kee Lock Chua	23 March 2015	HK\$3.90	—	350,000	—	—	350,000
Mr. Xiaojun Li	23 March 2015	HK\$3.90	—	350,000	—	—	350,000
Mr. Horn Kee Leong	23 March 2015	HK\$3.90	—	250,000	—	—	250,000
Ms. Zhao Lu	23 March 2015	HK\$3.90	—	250,000	—	—	250,000
Mr. Dajian Yu	23 March 2015	HK\$3.90	—	250,000	—	—	250,000

**SHARE OPTION SCHEME (Continued)**

Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2014	Number of share options			Outstanding as at 31 March 2015
				Granted during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	
<b>Other connected persons</b>							
Mr. Hong Zhang	23 March 2015	HK\$3.90	—	605,000	—	—	605,000
Mr. Yuan Xu	23 March 2015	HK\$3.90	—	613,000	—	—	613,000
Mr. Hanling Fang (a director of IGG Philippines)	23 March 2015	HK\$3.90	—	449,000	—	—	449,000
Ms. Meijia Chen (a director of IGG HK)	23 March 2015	HK\$3.90	—	553,000	—	—	553,000
Mr. Huihan Wu (a director of IGG Japan and IGG Korea)	23 March 2015	HK\$3.90	—	300,000	—	—	300,000
Richard Chua Choon Kiat (a director of Tapcash Singapore)	23 March 2015	HK\$3.90	—	200,000	—	—	200,000
Mr. Feng Chen (a director of Tapcash Cayman)	23 March 2015	HK\$3.90	—	300,000	—	—	300,000
Mr. Shuo Wang (a director of IGG Japan and IGG Korea)	23 March 2015	HK\$3.90	—	90,000	—	—	90,000
<b>Other employees and eligible persons</b>	23 March 2015	HK\$3.90	—	961,000	—	—	961,000
<b>Total</b>			<u>11,674,500</u>	<u>6,339,000</u>	<u>280,000</u>	<u>9,742,500</u>	<u>7,991,000</u>

**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

## SHARE OPTION SCHEME (Continued)

### 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



## SHARE OPTION SCHEME (Continued)

### *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.

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

### *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.

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

**SHARE OPTION SCHEME (Continued)**

**23 March 2015**

Out of the share options granted on 23 March 2015, 1,450,000 share options, which were granted to all of the non-executive Directors and independent non-executive Directors, shall be subject to a vesting period as follows:

<b>Share option vesting period</b>	<b>Percentage of share options to vest</b>
On or after the date of the annual general meeting to be convened in 2016	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2017	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2018	One-third of the total number of share options granted

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

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

Save as disclosed above, during the Period, 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) 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 the Computershare Hong Kong Trustees Limited, as the trustee ("**Trustee**") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board. The Company will contribute or grant cash 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 Share Award 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 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.

Details of the Share Award Scheme are set out in the Company's announcements dated 24 December 2013.

### SHARE AWARD SCHEME (Continued)

During the Period, the Company granted the awarded shares as followings:

#### *23 March 2015*

On 23 March 2015, the Board (including all independent non-executive Directors) resolved to grant a total of 2,935,244 awarded shares to certain selected grantees of the Group, all of whom are third parties independent from the Company and the connected persons of the Company, pursuant to the Share Award Scheme at nil consideration, subject to the acceptance by the selected grantees. The total of 2,935,244 awarded shares granted to the selected grantees represents approximately 0.21% of the issued share capital of the Company as at the date of grant.

The awarded shares granted shall vest in the grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 23 March 2016	25% of the total number of awarded shares granted
On 23 March 2017	25% of the total number of awarded shares granted
On 23 March 2018	25% of the total number of awarded shares granted
On 23 March 2019	25% of the total number of awarded shares granted

During the Period, a total of 350,250 awarded shares were vested pursuant to the Share Award Scheme.

Save as disclosed above, during the Period, no awarded shares were granted, vested, or lapsed under the Share Award Scheme.

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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

### AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited financial statements of the Group for the Period and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the GEM Listing Rules has been made in respect thereof.

### **CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the Period, except for the deviation from code provision A.2.1 as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

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

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

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

### **COMPETING INTEREST**

None of the Directors or the Controlling Shareholders or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the Period.

### **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by China Everbright Capital Limited ("**China Everbright**"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2015.

## DEFINITION

"associate(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors
"Company"	IGG Inc, a company incorporated in the Cayman Islands whose shares are listed on the GEM
"connected person(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 15 to the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"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 the issued share capital of which is owned by Mr. Yuan Chi, one of the Controlling Shareholders
"Fuzhou Tianmeng"	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
"GEM"	Growth Enterprise Market
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group", "we", "our" or "us"	the Company and its subsidiaries

**DEFINITION (Continued)**

"HK\$" data-bbox="124 151 158 161">	Hong Kong dollars , the lawful currency of Hong Kong
"Hong Kong" data-bbox="124 188 201 198">	The Hong Kong Special Administrative Region of the PRC
"IGG HK" data-bbox="124 225 178 235">	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 and a wholly-owned subsidiary of the Company
"IGG Japan" data-bbox="124 300 194 310">	G-BOX Inc.* (株式会社G-BOX), a company incorporated under the laws of Japan on 5 February 2015, a wholly-owned subsidiary of the Company
"IGG Korea" data-bbox="124 355 194 365">	IGG Korea Ltd., a company incorporated under the laws of Korea on 14 January 2015, a wholly-owned subsidiary of the Company
"IGG Philippines" data-bbox="124 410 221 420">	IGG Philippines Corp., a company incorporated under the laws of the Philippines on 11 January 2013 and a wholly-owned subsidiary of the Company
"IGG US" data-bbox="124 465 178 475">	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Group
"Listing" or "Placing" data-bbox="124 520 244 530">	the listing of the Shares on the GEM
"Listing Date" data-bbox="124 557 201 567">	18 October 2013, on which dealings in Shares first commence on the Stock Exchange
"Main Board" data-bbox="124 594 201 604">	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"MAU" data-bbox="124 669 164 679">	monthly active users
"Model Code" data-bbox="124 706 201 716">	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013
"Nerd Kingdom" data-bbox="124 781 218 791">	Nerd Kingdom Inc., a company incorporated under the laws of the United States with limited liability, an associate of the Company
"Period" data-bbox="124 836 171 846">	the three months ended 31 March 2015
"PRC", "China" or "mainland China" data-bbox="124 873 338 883">	The People's Republic of China



**DEFINITION (Continued)**

"Pre-IPO Share Option Scheme"	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus of the Company dated 11 October 2013
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities Futures Ordinance
"Share(s)"	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)"	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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Tapcash Cayman"	Tap Media Technology Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 November 2014, a subsidiary of the Company
"Tapcash Singapore"	Tap Media Technology Pte. Ltd., a company incorporated under the laws of Singapore on 30 December 2014, a subsidiary of the Company
"Tapcash Subsidiary Share Option Scheme"	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
"Transfer of Listing"	the proposed transfer of listing of the Shares from GEM to the Main Board
"U.S. dollar(s)" or "US\$" or "USD"	United States dollars, the lawful currency of the United States of America

**DEFINITION (Continued)**

"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.
"*"	for identification only

*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.*

By Order of the Board

**IGG INC**

**Zongjian Cai**

*Chairman*

Hong Kong, 5 May 2015

*As at the date of this report, the Board comprises two executive Directors, namely, Mr. Zongjian Cai and Mr. Yuan Chi; two non-executive Directors, namely, Mr. Xiaojun Li and Mr. Kee Lock Chua; and three independent non-executive Directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.*