

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 799)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

	For the six months ended 30 June			
	2016		2015	
	<i>US\$'000</i>	<i>HK\$'000²</i>	<i>US\$'000</i>	<i>HK\$'000²</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue	126,041	979,023	103,794	804,777
Profit for the period	25,039	194,490	24,833	192,545
Profit for the period attributable to owners of the parent	26,109	202,802	24,804	192,320
Adjusted net income ¹	27,194	211,229	26,257	203,586

- The Group's revenue for the Period was approximately US\$126.0 million, representing an increase of approximately 21.4% over the revenue of approximately US\$103.8 million for the corresponding period in 2015. Compared to the three months ended 31 March 2016, revenue increased by approximately 24.0% for the three months ended 30 June 2016.
- The Group's profit for the Period was approximately US\$25.0 million, representing a slight increase over the profit of approximately US\$24.8 million for the corresponding period in 2015. Compared to the three months ended 31 March 2016, profit increased by approximately 26.3% for the three months ended 30 June 2016.
- The Group's profit attributable to owners of the parent for the Period was approximately US\$26.1 million, representing an increase of approximately 5.2% over US\$24.8 million for the corresponding period in 2015.
- The Group's adjusted net income for the Period was approximately US\$27.2 million, representing an increase of approximately 3.4% over US\$26.3 million for the corresponding period in 2015.
- The Board of the Company has resolved to declare an interim dividend of HK4.3 cents per ordinary Share (equivalent to US0.6 cents per ordinary Share), amounting to approximately US\$7.5 million (six months ended 30 June 2015: interim dividend of HK4.0 cents per ordinary Share, equivalent to US0.5 cents per ordinary Share).

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

2 Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK\$7.7675=US\$1.00 for the Period (six months ended 30 June 2015: HK\$7.7536=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.

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in the year of 2015. These results have been reviewed by the auditors, Ernst & Young and the Company's audit committee, comprising three independent non-executive Directors, one of whom chairs the audit committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	<i>Notes</i>	2016	2015
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	4	126,041	103,794
Cost of sales		<u>(37,399)</u>	<u>(31,794)</u>
Gross profit		88,642	72,000
Other income and gains	4	543	1,146
Selling and distribution expenses		(34,047)	(22,488)
Administrative expenses		(11,168)	(10,365)
Research and development costs		(16,214)	(12,871)
Share of results of an associate and a joint venture		(432)	(29)
Other expenses		<u>(194)</u>	<u>(677)</u>
PROFIT BEFORE TAX	5	27,130	26,716
Income tax expense	6	<u>(2,091)</u>	<u>(1,883)</u>
PROFIT FOR THE PERIOD		<u>25,039</u>	<u>24,833</u>
Attributable to:			
Owners of the parent		26,109	24,804
Non-controlling interests		<u>(1,070)</u>	<u>29</u>
		<u>25,039</u>	<u>24,833</u>

		For the six months	
		ended 30 June	
	<i>Notes</i>	2016	2015
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
	8		
<i>(express in US\$ per share)</i>			
Basic			
- For earnings for the period		<u>US\$0.0191</u>	<u>US\$0.0180</u>
Diluted			
- For earnings for the period		<u>US\$0.0186</u>	<u>US\$0.0173</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	For the six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	<u>25,039</u>	<u>24,833</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	154	(263)
Available-for-sale equity investment: Changes in fair value	<u>(399)</u>	<u>(1,129)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(245)</u>	<u>(1,392)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>24,794</u>	<u>23,441</u>
Attributable to:		
Owners of the parent	25,864	23,412
Non-controlling interests	<u>(1,070)</u>	<u>29</u>
	<u>24,794</u>	<u>23,441</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2016 (Unaudited) US\$'000	31 December 2015 (Audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,973	5,379
Other intangible assets		581	903
Non-current assets		3,556	2,531
Interests in an associate and a joint venture		1,286	—
Available for sale investments		8,248	8,215
Deferred tax assets		<u>6</u>	<u>6</u>
Total non-current assets		<u>21,650</u>	<u>17,034</u>
CURRENT ASSETS			
Accounts receivable	9	1,386	1,083
Prepayments, deposits and other receivables		5,040	3,028
Funds receivable		18,285	13,478
Cash and cash equivalents		<u>158,746</u>	<u>185,503</u>
Total current assets		<u>183,457</u>	<u>203,092</u>
CURRENT LIABILITIES			
Accounts payable	10	11,201	4,586
Other payables and accruals		6,656	3,511
Tax payable		3,782	3,339
Deferred revenue		<u>13,198</u>	<u>16,982</u>
Total current liabilities		<u>34,837</u>	<u>28,418</u>

	<i>Notes</i>	30 June 2016 <i>(Unaudited)</i> US\$'000	31 December 2015 <i>(Audited)</i> US\$'000
NET CURRENT ASSETS		<u>148,620</u>	<u>174,674</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>170,270</u>	<u>191,708</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>411</u>	<u>454</u>
Total non-current liabilities		<u>411</u>	<u>454</u>
NET ASSETS		<u>169,859</u>	<u>191,254</u>
EQUITY			
Issued capital	11	3	3
Reserves		<u>170,177</u>	<u>190,521</u>
		<u>170,180</u>	<u>190,524</u>
Non-controlling interests		<u>(321)</u>	<u>730</u>
Total equity		<u>169,859</u>	<u>191,254</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent													
	Share capital premium	Share option reserve	Shares held for Share Award Scheme	Share repurchased for cancellation	Available-for-sale equity investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total equity	Non-controlling interests	Total equity	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 1 January 2016	3	186,870	5,316	(5,829)	(1,669)	(168)	88	153	(1,295)	7,055	190,524	730	191,254
Profit for the period	—	—	—	—	—	—	—	—	26,109	26,109	(1,070)	25,039	
Other comprehensive income for the period:													
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	—	(399)	—	—	—	(399)	—	(399)	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	154	—	154	—	154	
Total comprehensive income for the period	—	—	—	—	—	(399)	—	154	26,109	25,864	(1,070)	24,794	
Disposal of equity interest in a subsidiary without losing control	—	20	—	—	—	—	—	—	—	20	19	39	
Equity-settled share option arrangement	—	—	1,085	—	—	—	—	—	—	1,085	—	1,085	
Repurchase of ordinary shares	—	—	—	—	(17,623)	—	—	—	—	(17,623)	—	(17,623)	
Cancellation of ordinary shares	—	(15,659)	—	—	15,659	—	—	—	—	—	—	—	
Exercise of share options	—	411	(139)	—	—	—	—	—	—	272	—	272	
Vesting of awarded shares	—	51	(655)	604	—	—	—	—	—	—	—	—	
Dividends received for share award schemes	—	—	—	—	—	—	196	—	—	196	—	196	
2015 second interim and special dividend paid	—	—	—	—	—	—	—	—	(30,158)	(30,158)	—	(30,158)	
At 30 June 2016 (unaudited)	3	171,693*	5,607*	(5,225)*	(3,633)*	(567)*	88*	349*	(1,141)*	3,006*	170,180	(321)	169,859

* These components of equity comprise the consolidated reserves of US\$170,177,000 (31 December 2015: US\$190,521,000) in the consolidated statements of financial position as at 30 June 2016.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent												
	Share capital	Share premium	Share option reserve	Shares held for share award schemes	Available-for-sale equity revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total equity	Non-controlling interests	Total equity
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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	—	—	—	—	—	—	—	—	24,804	24,804	29	24,833
Other comprehensive income for the period:												
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	(1,129)	—	—	—	—	(1,129)	—	(1,129)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(263)	—	(263)	—	(263)
Total comprehensive income for the period	—	—	—	—	(1,129)	—	—	(263)	24,804	23,412	29	23,441
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	240	240
Equity-settled share option arrangement	—	—	1,453	—	—	—	—	—	—	1,453	—	1,453
Exercise of share options	—	1,341	(453)	—	—	—	—	—	—	888	—	888
Vesting of awarded shares	—	104	(367)	263	—	—	—	—	—	—	—	—
Dividends received for share award schemes	—	—	—	—	—	—	118	—	—	118	—	118
2014 second interim dividend paid	—	—	—	—	—	—	—	—	(10,213)	(10,213)	—	(10,213)
2014 special dividend paid	—	—	—	—	—	—	—	—	(20,247)	(20,247)	—	(20,247)
At 30 June 2015 (unaudited)	<u>3</u>	<u>186,681</u>	<u>4,318</u>	<u>(4,037)</u>	<u>(1,919)</u>	<u>88</u>	<u>126</u>	<u>(636)</u>	<u>(2,433)</u>	<u>182,191</u>	<u>768</u>	<u>182,959</u>

1. CORPORATE INFORMATION

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 of the Stock Exchange of Hong Kong Limited on 18 October 2013. The shares of the Company were transferred to the Main Board of the Stock Exchange on 7 July 2015.

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 period.

On 24 February 2016, IGG Singapore (a wholly-owned subsidiary of the Company) formed a joint venture PocketSocial Technologies Inc. ("PST"), a federal corporation incorporated under the Canada Corporations Business Act with Maple Sunrise Investment Holdings Inc. ("Maple Sunrise") and independent individuals. PST will mainly engage in mobile social networking products.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

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.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

	For the six months ended 30 June	
	2016 <i>US\$'000</i> (Unaudited)	2015 <i>US\$'000</i> (Unaudited)
North America	43,151	40,384
Europe	40,756	32,040
Asia	35,484	26,042
Oceania	3,445	2,220
South America	2,436	2,318
Africa	769	790
	<u>126,041</u>	<u>103,794</u>

- (b) Non-current assets

	30 June 2016 <i>US\$'000</i> (Unaudited)	31 December 2015 <i>US\$'000</i> (Audited)
	Greater China including PRC, Taiwan and Hong Kong	6,390
North America	1,204	1,206
Singapore	232	143
Others	147	157
	<u>7,973</u>	<u>5,379</u>

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for chargebacks, and the royalties derived from licensing agreements.

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

	For the six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Online game revenue	123,377	101,234
Joint operation revenue	2,101	2,014
Licensing revenue	139	275
Others	<u>424</u>	<u>271</u>
	<u><u>126,041</u></u>	<u><u>103,794</u></u>
Other income and gains		
Fair value gains, net		
Equity investment at fair value	—	91
Dividend income from available-for-sale investments	—	688
Government grant*	287	—
Bank interest income	256	330
Others	<u>—</u>	<u>37</u>
	<u><u>543</u></u>	<u><u>1,146</u></u>

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

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
Channel cost		32,892	27,600
Royalty fee		467	857
Depreciation		1,035	626
Amortisation of other intangible assets		242	217
Minimum lease payments under operating leases		2,426	2,834
Employee benefit expense (including directors' and chief executive's remuneration):			
Salaries and wages		12,081	12,215
Equity-settled share compensation costs		1,085	1,453
Pension scheme contributions		539	502
Foreign exchange differences, net		77	438
Fair value gain/loss, net:			
Equity investments at fair value		—	(91)
Dividend income from available-for-sale investments		—	(688)
Loss on disposal of items of property, plant and equipment		14	84
Bank interest income	4	(256)	(330)
Government grants	4	(287)	—

6. INCOME TAX

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

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 period ended 30 June 2016 (2015:5%).

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

	For the six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current period provision:		
Singapore	2,049	1,719
Others	<u>85</u>	<u>106</u>
Subtotal of current tax	<u>2,134</u>	<u>1,825</u>
Deferred tax	<u>(43)</u>	<u>58</u>
Total tax charge for the period	<u><u>2,091</u></u>	<u><u>1,883</u></u>

7. DIVIDENDS

During the six months ended 30 June 2016, the Company declared and paid second interim dividend of HK2.8 cents per ordinary share and special dividend of HK14.2 cents per ordinary share in respect of the previous financial year, amounting to HK\$232,940,437 (equivalent to approximately US\$29,961,944).

Subsequent to 30 June 2016, the board of directors has resolved to declare that an interim dividend of HK4.3 cents per ordinary share for the six months from 1 January to 30 June 2016, totaling HK\$58,762,798 (equivalent to approximately US\$7,500,000).

8. 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 is based on the profit for the six months ended 30 June 2016 and 2015 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 six months ended 30 June 2016 and 2015, 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:

	For the six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation:	<u>26,109</u>	<u>24,804</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,366,063,117	1,377,774,411
Effect of dilution — weighted average number of ordinary shares:		
Share options	37,016,814	54,735,438
Awarded shares	<u>1,195,378</u>	<u>2,144,035</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>1,404,275,309</u>	<u>1,434,653,884</u>

9. ACCOUNTS RECEIVABLE

	30 June 2016	31 December 2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Accounts receivable	<u>1,386</u>	<u>1,083</u>

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

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

	30 June 2016	31 December 2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	829	1,083
3 months to 6 months	251	—
6 months to 1 year	<u>306</u>	<u>—</u>
	<u>1,386</u>	<u>1,083</u>

No provision has been made for impairment of accounts receivable during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

10. ACCOUNTS PAYABLE

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

	30 June 2016	31 December 2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Within 3 months	10,779	3,282
3 to 6 months	386	965
6 months to 1 year	34	242
Over 1 year	<u>2</u>	<u>97</u>
	<u>11,201</u>	<u>4,586</u>

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

11. SHARE CAPITAL

Shares

	30 June 2016	31 December 2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Authorized:		
2,000,000,000 (31 December 2015: 2,000,000,000) ordinary shares of US\$0.0000025 (31 December 2015: US\$0.0000025) each	<u>5</u>	<u>5</u>
Issued and fully paid or credited as fully paid:		
1,366,576,687 (31 December 2015: 1,396,711,599) ordinary shares	<u>3</u>	<u>3</u>

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

	Number of shares in issue	Issued capital	Share premium account	Shares held for share award scheme	Shares repurchased for cancellation
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2016	1,396,711,599	3	186,870	(5,829)	(1,669)
Vesting of awarded shares	—	—	51	604	—
Share options exercised (note 12)	5,226,088	—	411	—	—
Repurchase of ordinary shares	—	—	—	—	(17,623)
Disposal of equity interest in a subsidiary without losing control	—	—	20	—	—
Cancellation of ordinary share	<u>(35,361,000)</u>	<u>—</u>	<u>(15,659)</u>	<u>—</u>	<u>15,659</u>
At 30 June 2016	<u>1,366,576,687</u>	<u>3</u>	<u>171,693</u>	<u>(5,225)</u>	<u>(3,633)</u>
At 1 January 2015	1,370,485,599	3	185,236	(4,300)	—
Vesting of awarded shares	—	—	104	263	—
Share options exercised (note 12)	<u>23,560,331</u>	<u>—</u>	<u>1,341</u>	<u>—</u>	<u>—</u>
At 30 June 2015	<u>1,394,045,930</u>	<u>3</u>	<u>186,681</u>	<u>(4,037)</u>	<u>—</u>

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

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

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

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

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

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

	For six months ended 30 June 2016		For six months ended 30 June 2015	
	Weighted average exercise price per share (Note)	Number of options (Note)	Weighted average exercise price per share (Note)	Number of options (Note)
	<i>US\$</i>		<i>US\$</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January	0.0599	46,681,500	0.0527	73,674,500
Forfeited during the period	0.0865	(120,000)	0.0718	(589,000)
Exercised during the period	<u>0.0446</u>	<u>(5,151,088)</u>	<u>0.0376</u>	<u>(23,560,331)</u>
At 30 June	<u><u>0.0617</u></u>	<u><u>41,410,412</u></u>	<u><u>0.0597</u></u>	<u><u>49,525,169</u></u>

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

Nil consideration was payable by each grantee to the Company for grant of the options under the Pre-IPO Share Option Scheme. Save for the options which have been granted, no further option will be granted under the Pre-IPO Share Option Scheme. The exercise prices and exercise periods of the share options outstanding, adjusted retroactively as a result of the Shares Subdivision as if the

Shares Subdivision had taken place on 1 January 2013, as at the end of the reporting period are as follows:

30 June 2016

Number of options	Exercise price* per share	Exercise period
	<i>US\$</i>	
1,970,000	0.0038	01-07-2008 to 30-06-2017
1,606,000	0.0078	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
4,229,000	0.0500	Since IPO to 31-07-2019
11,132,000	0.0525	Since IPO to 20-04-2021
30,000	0.0525	Since IPO to 24-04-2021
120,000	0.0525	Since IPO to 02-05-2021
148,000	0.0525	Since IPO to 15-05-2021
2,068,000	0.0865	Since IPO to 13-08-2021
2,057,000	0.0865	Since IPO to 14-01-2022
5,640,000	0.0865	Since IPO to 21-05-2022
<u>8,410,412</u>	0.0865	Since IPO to 31-03-2023
<u>41,410,412</u>		

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

No equity-settled share options under Pre-IPO Share Option Scheme have been granted during six months ended 30 June 2016 and 2015 respectively.

Share options exercised during the six months ended 30 June 2016 resulted in the issuance of 5,151,088 (six months ended 30 June 2015: 23,560,331) ordinary shares of the Company and share premium of US\$411,461 (six months ended 30 June 2015: US\$1,341,160), as further detailed in note 11 to the financial statements.

At the end of the reporting period, the Company had 41,410,412 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 41,410,412 additional ordinary shares of the Company and share premium of US\$2,554,805 (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 optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (defined as below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

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

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

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

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1.0 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 determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share on the offer date.

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

The following share options were outstanding under the Post-IPO Share Option Scheme I during the six months ended 30 June 2016.

	For six months ended 30 June 2016	
	Weighted average exercise price per share HK\$ (Unaudited)	Number of options (Unaudited)
At 1 January	3.90	7,966,000
Exercised during the period	3.51	(75,000)
Forfeited during the period	<u>3.55</u>	<u>(230,000)</u>
At 30 June	<u><u>3.92</u></u>	<u><u>7,661,000</u></u>

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

30 June 2016 Number of options	Exercise price per share HK\$	Exercise period
355,000	5.47	11-08-2015 to 11-08-2024
867,000	3.51	21-11-2015 to 21-11-2024
4,889,000	3.90	23-03-2016 to 23-03-2025
1,450,000	3.90	03-06-2016 to 03-06-2025
<u>100,000</u>	2.94	10-09-2016 to 10-09-2025
<u><u>7,661,000</u></u>		

Share Award Scheme

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 (the “Adoption Date”). The purpose of the Share Award Scheme is to recognize 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 utilizing 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 six months ended 30 June 2016 are as follows:

	Number of shares held for the Share Award Scheme (Unaudited)	Number of awarded shares (Unaudited)	Total (Unaudited)
At 1 January 2016	4,360,115	5,592,931	9,953,046
Granted	(1,583,213)	1,583,213	—
Forfeited	209,241	(209,241)	—
Vested	—	(1,030,723)	(1,030,723)
At 30 June 2016	<u>2,986,143</u>	<u>5,936,180</u>	<u>8,922,323</u>
Vested but not transferred as at 30 June 2016			<u>—</u>

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

The weighted average fair value of awarded shares granted during the six months ended 30 June 2016 was HK\$3.82 per share.

The awarded shares granted during the six months ended 30 June 2016 and outstanding as at the period then ended will vest in anniversary of grant date with each of 25% being vested annually.

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, Belarus and the Philippines, and customers from over 200 countries and regions around the world.

The Group offers free-to-play mobile, browser and client-based online games in 16 different languages, the majority of which are produced by its own development teams. Right from the start, the Group has set its sights on the global market. Its strategic direction and plans have always focused on achieving its goal of becoming a global leader in the games industry that produces games loved by players around the world, particularly in our key markets of North America and Europe. Under the leadership and direction of its Singapore headquarters, these strategies and plans - from market research to product development to sales, marketing and operations - are executed locally by its regional offices. Over the years, our continuous innovation to produce enduring products, and the effective execution of our strategies and plans, have enabled us to overcome the challenges of a fast changing industry and volatile market conditions.

During the Period, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2016, the Group has maintained its focus on (i) developing mobile games, and (ii) marketing and operating the Group's mobile games globally, including setting up local teams in key markets around the world to tap into local knowledge for more effective game operations, using the Group's mobile advertising platform and game publishing expertise to market third party developers' games globally.

Mobile Games

During the Period, the Group kept on developing new games based on its strong game research and development capabilities and spirit of continuous innovation. Revenue from mobile games accounted for approximately 97.3% of the total revenue for the Period, as compared to approximately 93.4% from the corresponding period in 2015.

In March 2016, the Group released a real-time war strategy game, Lords Mobile, with very impressive results. The game's revenue growth is the fastest ever in the Group's history, breaking the US\$10 million mark in July, just five months after launch, to become another heavyweight product for the Group. It currently ranks high in Eastern European countries, such as Russia and Belarus, and in Southeast Asian countries like Singapore, Thailand and Malaysia. It also performed well in East Asia, including Mainland China, Korea and Taiwan. Lords Mobile achieved three significant breakthroughs for the Group. Firstly, it is the Group's first cross-platform, multi-language, global mega-server game; secondly, more than 50% of the game's revenue was earned from iOS as of 31 July 2016, obviously higher than the other games of the Group; and thirdly, the fast-growing Asia region contributed a higher proportion of revenue compared to other games.

Castle Clash, a fast-paced tower defense game, continued its growth momentum, with an average monthly revenue of approximately US\$12 million and an increase of approximately 21.3% for the Period compared to the corresponding period in 2015. The Group has been able to extend the lifespan of the game by regularly introducing new game features, rapidly resolving technical issues, and consistently providing excellent customer services, and building a large community of loyal gamers around the world along the way. "Castle Clash" ranked top five in 13 countries and regions and top ten in 36 countries and regions in terms of daily revenue rankings generated at Google Play as at 30 June 2016, according to the independent third-party analysis platform App Annie. 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 30 June 2016, the MAU of the game was over 10 million.

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

Global Presence

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 30 June 2016, the user community of the Group consisted of over 340 million player accounts around the world, including a total MAU of approximately 18.6 million. During the Period, approximately 34.2%, 32.3% and 28.2% of the total revenue of the Group was generated from players with IP addresses in North America, Europe and Asia, respectively.

To strengthen its presence in Eastern European countries, the Group has set up regional offices in Belarus in the first half of 2016, 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 30 June 2016, the Group has regional offices in 10 countries and regions. The Group also has outsourcing arrangements with companies in Mainland China, Korea, Italy, Canada and Taiwan to develop new games and operate its own games.

The Group's efforts over the past few years to become more global by having a local presence in key markets is starting to bear fruit. After making continuous investment in the United States based game developer Nerd Kingdom, setting up new offices in Japan, Korea, Thailand and Belarus, and a business unit for the Middle Eastern countries, revenue is on track to grow further. After experiencing high growth and being widely recognized, the Group will leverage its global reach in R&D and operation, and continue to seek worldwide partners in aim to achieve the state-of-the-art in gaming quality, player experience, revenue level etc.

Impact of new regulations on games publishing in China

The State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (PRC) recently announced new regulations requiring mobile games in the PRC to be submitted for content approval and to obtain a permit prior to their public release. The review guidelines specify a number of restrictions on mobile game content. For games that are targeted at a global audience, we foresee these restrictions will have some impact on their potential in the Chinese market. At the same time, the guidelines on the capitalization of mobile games publishing companies in the PRC is expected to raise the entry barrier to the industry in China. For the first half of 2016, the Group's revenue from China makes up 3% of total revenue. In the short term, the new regulations is not expected to significantly affect the Group's overall performance.

Prospects

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

Looking ahead, the Group expects to develop approximately 10 games by the end of 2016, including several strategy games, a tile-matching game and a casino game. Meanwhile, the sequel to Castle Clash and Clash of Lords, and the sandbox game TUG, are all under development and will likely be unveiled next year. The Group will also pay close attention to the application of LBS (location based services) and AR (augmented reality) in mobile games, with a view to further improve the online and offline interaction among players.

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 Group has been continuously expanding its advertising business to further stimulate the Group's online game business.

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

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

KEY FINANCIAL INFORMATION

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	126,041	103,794
Profit for the Period	25,039	24,833
Profit for the Period attributable to owners of the parent	26,109	24,804
Adjusted net income*	27,194	26,257

* 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.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was approximately US\$126.0 million, representing an increase of approximately 21.4% over US\$103.8 million for the corresponding period in the year of 2015, primarily due to (i) the outstanding performance of the new title "Lords Mobile", which was launched in March 2016, (ii) the increase in the revenue generated from the existing core game "Castle Clash", and (iii) the decrease in the revenue from obsolete business of browser games, client-based games and other existing mobile games .

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 Period and the corresponding period in the year of 2015, respectively:

	Six months ended 30 June			
	2016		2015	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Mobile games	122,621	97.3	96,936	93.4
Browser games	2,370	1.9	5,638	5.4
Client-based games	626	0.5	949	0.9
Others	<u>424</u>	<u>0.3</u>	<u>271</u>	<u>0.3</u>
Total	<u><u>126,041</u></u>	<u><u>100</u></u>	<u><u>103,794</u></u>	<u><u>100</u></u>

Revenue by geographical markets

The following table sets forth a breakdown of the revenue by geographical markets based on IP location of the players for the Period and the corresponding period in the year of 2015, respectively:

	Six months ended 30 June			
	2016		2015	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
North America	43,151	34.2	40,384	38.9
Europe	40,756	32.3	32,040	30.9
Asia	35,484	28.2	26,042	25.1
Oceania	3,445	2.7	2,220	2.1
South America	2,436	1.9	2,318	2.2
Africa	<u>769</u>	<u>0.7</u>	<u>790</u>	<u>0.8</u>
Total	<u><u>126,041</u></u>	<u><u>100</u></u>	<u><u>103,794</u></u>	<u><u>100</u></u>

Revenue by games

The following table sets forth a breakdown of the revenue by games for the Period and the corresponding period in the year of 2015, respectively:

	Six months ended 30 June			
	2016		2015	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Castle Clash	71,097	56.4	58,596	56.4
Clash of Lords series	20,402	16.2	17,956	17.3
Lords Mobile	17,778	14.1	—	—
Deck Heroes	7,589	6.0	6,555	6.3
Texas HoldEm Poker Deluxe	3,112	2.5	3,716	3.6
Others	<u>6,063</u>	<u>4.8</u>	<u>16,971</u>	<u>16.4</u>
Total	<u><u>126,041</u></u>	<u><u>100</u></u>	<u><u>103,794</u></u>	<u><u>100</u></u>

Cost of sales

The Group's cost of sales for the Period was approximately US\$37.4 million, representing an increase of approximately 17.6 % over US\$31.8 million for the corresponding period in the year of 2015, primarily due to the increase in channel costs in line with the expansion of mobile game business.

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately US\$88.6 million, representing an increase of approximately 23.1% over US\$72.0 million for the corresponding period in the year of 2015, primarily due to the increase in the revenue generated from mobile games.

The Group's gross profit margin for the Period was 70.3%, remained relatively stable compared with 69.4% for the corresponding period in the year of 2015.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period were approximately US\$34.0 million, representing an increase of approximately 51.1% over US\$22.5 million for the corresponding period in the year of 2015, primarily due to the addition of the advertising and promotional activities for the new title of "Lords Mobile".

Administrative expenses

The Group's administrative expenses for the Period were approximately US\$11.2 million, representing an increase of approximately 7.7% over US\$10.4 million for the corresponding period in the year of 2015, primarily due to (i) the increase in salaries, performance-based bonus and staff welfare as a result of business expansion, and (ii) the increase in depreciation expense attributable to the leased property.

Research and development costs

The Group's research and development costs for the Period were approximately US\$16.2 million, representing an increase of approximately 25.6% over US\$12.9 million for the corresponding period in the year of 2015, primarily due to (i) the increase in research and development outsourcing expenses attributable to the enrichment of our game portfolio, and (ii) the increase in salaries, performance-based bonus in connection with the enlarged game development team.

Income tax expenses

The Group's income tax expenses for the Period were approximately US\$2.1 million, representing an increase of approximately 10.5% over US\$1.9 million for the corresponding period in the year of 2015, primarily due to the increase in profit before tax.

Capital expenditure

As a game development and operation company, the Group's capital expenditures were mainly related to purchases of property, plant and equipment such as servers and computer equipments and intangible assets, such as software and trademark. Capital expenditures for the Period and the corresponding period in the year of 2015 are set forth as below:

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
Purchase of property, plant and equipment	1,388	798
Purchase of intangible assets	39	28

Capital commitment

As at 30 June 2016, the Group had a capital commitment of approximately US\$0.4 million (31 December 2015: US\$0.8 million).

Liquidity and capital resources and gearing ratios

As at 30 June 2016, the Group had net current assets of approximately US\$148.6 million (31 December 2015: US\$174.7 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 17.2% (31 December 2015: 13.1%).

As at 30 June 2016, the Group had cash and cash equivalents of approximately US\$158.7 million (31 December 2015: US\$185.5 million).

The Group did not have any bank borrowings or other financing facilities as at 30 June 2016 (31 December 2015: nil).

Operating activities

Net cash flows from operating activities decreased from approximately US\$32.8 million for the six months ended 30 June 2015 to approximately US\$23.9 million for the Period, which was primarily attributable to the increased advertising and promotional activities for the newly launched mobile games, especially for the new title of "Lords Mobile".

Investing activities

Net cash flows used in investing activities was approximately US\$3.6 million for the Period, compared to net cash flows provided by investing activities of approximately

US\$30.7 million for the corresponding period in 2015, which was primarily attributable to certain addition of unlisted equity investments in the first half of 2016 as well as the decrease in investments in time deposits with original maturity of over three months last year.

Financing activities

Net cash flows used in financing activities was approximately US\$47.3 million for the Period, representing an increase by US\$18.1 million compared to approximately US\$29.2 million for the corresponding period in 2015. The increase was primarily attributable to the payment of share repurchase in the first half of 2016.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. 64.4% of the sales are denominated in currencies other than the functional currency of the operating units making the sales for the Period (30 June 2015: 68.3%).

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 capital structure of the Company comprised of ordinary Shares.

Dividend

The Board resolved to declare an interim dividend of HK4.3 cents per ordinary Share (equivalent to US0.6 cents per ordinary Share), amounting to approximately US\$7.5 million (six months ended 30 June 2015: interim dividend of HK4.0 cents per ordinary Share, equivalent to US0.5 cents per ordinary Share).

The register of members of the Company will be closed from Monday, 12 September 2016 to Wednesday, 14 September 2016, both days inclusive, during which period no transfer of Shares will be registered for the purpose of determining shareholders' entitlements to the interim dividend. The record date for entitlement to the interim dividend is on Wednesday, 14 September 2016. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 9 September 2016. The payment date of the interim dividend is expected to be on Tuesday, 27 September 2016.

Human Resources

As at 30 June 2016, the Group had 910 employees (30 June 2015: 803). The table below sets forth the number of employees in each functional area as at 30 June 2016 and 2015, respectively:

<i>Function</i>	As at 30 June			
	2016		2015	
	<i>Number of Employees</i>	<i>% of total</i>	<i>Number of Employees</i>	<i>% of total</i>
Management	29	3.2	25	3.1
Development Team	477	52.4	391	48.6
IT Support Team	67	7.4	69	8.6
Finance and Accounting	28	3.1	27	3.4
Administration	61	6.7	44	5.5
Operation	242	26.6	243	30.3
Legal Department	4	0.4	3	0.4
Internal Audit	<u>2</u>	<u>0.2</u>	<u>1</u>	<u>0.1</u>
Total	<u>910</u>	<u>100.0</u>	<u>803</u>	<u>100.0</u>

Personnel expenses (including salary, bonuses, social insurance and provident funds, excluding share option expenses) for the Period were approximately US\$17.1 million, representing an increase of 25.7% over US\$13.6 million for the corresponding period in 2015, 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 during the Period were US\$1.1 million, representing a decrease of 26.7% over US\$1.5 million for the corresponding period in 2015, primarily due to the share option modification approved by the Board on 23 March 2015 and required remeasurement of these share options.

Significant investments

During the Period, the Group did not hold any significant investment in equity interest in any other company.

Interest Capitalised

No interest was capitalised by the Group for the Period (30 June 2015: nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges on assets

As at 30 June 2016, no asset of the Group was pledged as a security for bank borrowing or any other financing activities (31 December 2015: nil).

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2016 (31 December 2015: nil).

A certain subsidiary of the Group was subject to legal proceedings and claims arising in the ordinary course of business. Subsequently, on 4 April 2016, the subsidiary of the Group received the decision of the relevant court ruling in favor of the subsidiary of the Group. The Board is of the opinion that such proceedings and claims have been concluded and accordingly no provision for contingent liabilities has been made.

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.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and overall business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the

Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

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

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors’ securities transactions during the Period.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except for the Pre-IPO Share Option Scheme, the Share Option Scheme, the Tapcash Subsidiary 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 and up until the date of this announcement, except that for Ms. Jessie Shen and Mr. Feng Chen, who were both elected as executive Director at the annual general meeting of the Company on 3 June 2016, were interested in 508,000 and 300,000 share options under the Share Option Scheme, none of the Directors or chief executives of the Company was granted any share options under the Pre-IPO Share Option Scheme, the Share Option Scheme or Tapcash Subsidiary Share Option Scheme or any awarded shares under the Share Award Scheme.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 12 November 2008 and amended it on 16 September 2013, the principal terms of which are summarised in Appendix IV to the Prospectus.

During the Period, except that 5,151,088 share options were exercised and 120,000 share options were lapsed due to the employment termination of certain employees of the Group pursuant to the Pre-IPO Share Option Scheme, no other share options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled.

SHARE OPTION SCHEME

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

During the Period, except that 75,000 share options were exercised and 230,000 share options were lapsed due to the employment termination of certain employees of the Group pursuant to the Share Option Scheme, no other share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

TAPCASH SUBSIDIARY SHARE OPTION SCHEME

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

During the Period, the board of directors of Tapcash Cayman resolved to grant a total of 160,000 share options with details as followings:

8 April 2016

On 8 April 2016, the Company has granted a total of 160,000 share options to certain eligible persons pursuant to the Tapcash Subsidiary Share Option Scheme. Each share option shall entitle the holder of the share option to subscribe for one Tapcash Cayman Share upon exercise of such share option at an exercise price of US\$0.075 per Tapcash Cayman Share. The share options granted under the Tapcash Subsidiary Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant:

Share option vesting date	Percentage of share options to vest
On 8 April 2017	25% of the total number of share options granted
On 8 April 2018	25% of the total number of share options granted
On 8 April 2019	25% of the total number of share options granted
On 8 April 2020	25% of the total number of share options granted

During the Period, except that 92,000 share options were lapsed due to the termination of the employment relationship of certain grantees pursuant to the Tapcash Subsidiary Share Option Scheme, no other share options under the Tapcash Subsidiary Share Option Scheme have been granted, exercised, lapsed or cancelled.

SHARE AWARD SCHEME

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

During the Period, the Company has granted a total of 1,583,213 awarded shares to certain selected grantees at nil consideration pursuant to the Share Award Scheme on 8 April 2016 and 3 June 2016, all of whom are third parties independent from the Company and its connected persons.

8 April 2016

On 8 April 2016, the Company granted 595,476 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 8 April 2017	25% of the total number of awarded shares granted
On 8 April 2018	25% of the total number of awarded shares granted
On 8 April 2019	25% of the total number of awarded shares granted
On 8 April 2020	25% of the total number of awarded shares granted

3 June 2016

On 3 June 2016, the Company granted 987,737 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 3 June 2017	25% of the total number of awarded shares granted
On 3 June 2018	25% of the total number of awarded shares granted
On 3 June 2019	25% of the total number of awarded shares granted
On 3 June 2020	25% of the total number of awarded shares granted

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

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited condensed consolidated 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 Listing Rules has been made in respect thereof.

COMPETING INTEREST

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

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

The Company had bought back the Shares on the Stock Exchange during the Period with details as follows:

Month of purchase	Number of Shares Purchased	Price per Share		Total Paid HK\$
		Highest HK\$	Lowest HK\$	
January 2016	17,633,000	3.61	3.26	61,321,740.00
May 2016	13,284,000	3.69	3.33	45,265,630.00
June 2016	<u>8,806,000</u>	3.81	3.26	<u>30,118,700.00</u>
Total	<u>39,723,000</u>			<u>136,706,070.00</u>

All of the Shares bought back were cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

IMPORTANT EVENT SINCE THE END OF THE PERIOD

There was no important event of the Group since the end of the Period up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.igg.com>). The interim report for the Period containing all the information required by the Listing Rules will be despatched to Shareholders of the Company and available on the same websites in due course.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online Holdings Limited, Edmond Online Holdings Limited, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group

“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
“Group”, “we”, “us” or “our”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IGG Belarus”	GameWorld Limited, LLC, a company incorporated under the laws of Belarus on 25 May 2016, a wholly-owned subsidiary of the Group
“IGG Canada”	IGG.COM Canada Inc., a company incorporated under the laws of Canada on 30 January 2014, a wholly-owned subsidiary of the Group
“IGG Japan”	G-BOX Inc.* (株式會社G-BOX), a company incorporated under the laws of Japan on 5 February 2015, a wholly-owned subsidiary of the Group
“IGG Korea”	IGG Korea Ltd., a company incorporated under the laws of Korea on 14 January 2015, 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 Company
“IGG US”	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Nerd Kingdom”	Nerd Kingdom, Inc., a company incorporated under the laws of the United States with limited liability, a non-wholly owned subsidiary of the Company
“Period”	six months ended 30 June 2016
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“Prospectus”	the prospectus of the Company dated 11 October 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	means share(s) of US\$0.0000025 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013
“Shareholder(s)”	the shareholder(s) of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Tapcash Canada”	Tapcash Inc., a company incorporated under the laws of Canada on 30 January 2014, a subsidiary of the company
“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 non-wholly owned subsidiary of the Company
“Tapcash Cayman Share(s)”	ordinary share(s) of US\$0.00025 each in the capital of Tapcash Cayman
“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
“U.S. dollar(s)” or “US\$” or “USD” and “US cents”	United States dollars and cents, the lawful currency of the United States
“%”	per cent.

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

By order of the Board of
IGG Inc
Zongjian Cai
Chairman

Hong Kong, 26 August 2016

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