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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)
Mr. Yuan Xu
Mr. Hong Zhang
Ms. Jessie Shen (elected on 3 June 2016)
Mr. Feng Chen (elected on 3 June 2016)

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

315 Alexandra Road
#04-03 Sime Darby Business Centre
Singapore 159944

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Ernst & Young

LEGAL ADVISER AS TO HONG KONG LAWS

Orrick, Herrington & Sutcliffe

LEGAL ADVISER AS TO PRC LAWS

Jingtian & Gongcheng

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE**

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

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

www.igg.com

PRINCIPAL PLACE OF BUSINESS IN THE PRC

20 Jinjishan Road
Jin'an District
Fuzhou, Fujian Province
PRC

PRINCIPAL BANKS

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

INVESTOR RELATIONS CONSULTANTS

Wonderful Sky Financial Group Limited

HIGHLIGHTS

	For the six months ended 30 June			
	2016		2015	
	US\$' 000	HK\$' 000 ²	US\$' 000	HK\$' 000 ²
	(Unaudited)		(Unaudited)	
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.

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. As of 26 August, gross revenue for the month of August was approximately US\$12.0 million. The game has become another blockbuster title for the Group less than six months after its launch. 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 games 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 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
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	
	US\$' 000	%	US\$' 000	%
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	424	0.3	271	0.3
Total	126,041	100	103,794	100

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	
	US\$' 000	%	US\$' 000	%
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	769	0.7	790	0.8
Total	126,041	100	103,794	100

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	
	US\$' 000	%	US\$' 000	%
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	6,063	4.8	16,971	16.4
Total	126,041	100	103,794	100

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:

Function	As at 30 June			
	2016		2015	
	Number of Employees	% of total	Number of Employees	% of total
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	2	0.2	1	0.1
Total	910	100.0	803	100.0

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 AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

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

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

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 of the Corporate Governance Code, 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.

BOARD OF DIRECTORS

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

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

The Board currently comprises nine Directors, consisting of five executive Directors, Mr. Zongjian Cai (the chairman of the Board), Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen, one non-executive Director, Mr. Yuan Chi, and three independent non-executive Directors, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

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

During the Period, the Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

During the Period, Ms. Jessie Shen and Mr. Feng Chen were elected as executive Directors at the annual general meeting of the Company held on 3 June 2016.

MODEL CODE

During the Period, 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, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the Period.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited condensed consolidated interim financial statements for the Period.

The external auditor, Ernst & Young has reviewed the interim financial information for the Period in accordance with Hong Kong Standard on Review engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

(a) Directors’ and chief executives’ interests and short positions in Shares, underlying Shares and debentures

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company 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 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	420,515,657 (Notes 1, 3)	30.77%	15,236,000 (Notes 3, 4)	1.11%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	420,515,657 (Notes 2, 3)	30.77%	15,236,000 (Notes 3, 4)	1.11%
Mr. Yuan Xu	Beneficial owner, interest held jointly with another person	420,515,657 (Notes 3, 5)	30.77%	15,236,000 (Notes 3, 4)	1.11%
Mr. Hong Zhang	Beneficial owner, interest held jointly with another person	420,515,657 (Notes 3, 6)	30.77%	15,236,000 (Notes 3, 4)	1.11%
Ms. Jessie Shen (elected as an executive Director on 3 June 2016)	Beneficial owner	5,970,000	0.44%	508,000 (Note 7)	0.04%
Mr. Feng Chen (elected as an executive Director on 3 June 2016)	Beneficial owner	14,240,000	1.04%	300,000 (Note 8)	0.02%
Dr. Horn Kee Leong	Beneficial owner	—	—	250,000 (Note 9)	0.02%
Ms. Zhao Lu	Beneficial owner	—	—	250,000 (Note 10)	0.02%
Mr. Dajian Yu	Beneficial owner	400,000	0.03%	250,000 (Note 11)	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 182,268,027 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 all 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.

- (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. Yuan Xu is the beneficial owner of 27,417,638 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.
- (6) Mr. Hong Zhang is the beneficial owner of 10,702,040 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.
- (7) Ms. Jessie Shen is the beneficial owner of 5,970,000 Shares and was also deemed to be interested in (i) the 367,000 Shares which may be issued to her upon exercise of the share options granted to her on 21 November 2014 under the Share Option Scheme; and (ii) the 141,000 Shares which may be issued to her upon exercise of the share options granted to her on 23 March 2015 under the Share Option Scheme.
- (8) Mr. Feng Chen was interested in an aggregate of 14,240,000 Shares and was also deemed to be interested in 300,000 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) 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.
- (10) Ms. Zhao Lu is deemed to be interested in 250,000 Shares which may be issued to her upon exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.
- (11) 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 30 June 2016, 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 Listing Rules.

(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 30 June 2016, 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	420,515,657 (Notes 1, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	420,515,657 (Notes 1, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
Edmond Online	Beneficial owner, interests held jointly with another person	420,515,657 (Notes 2, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	420,515,657 (Notes 2, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
Mr. Yuan Xu	Beneficial owner, interests held jointly with another person	420,515,657 (Notes 3, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
Mr. Hong Zhang	Beneficial owner, interests held jointly with another person	420,515,657 (Notes 4, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding	Number of underlying Shares	Approximate percentage of shareholding
Ms. Kai Chen	Beneficial owner, spouse interest, interests held jointly with another person	420,515,657 (Notes 5, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
Mr. Zhixiang Chen	Beneficial owner, interests held jointly with another person	420,515,657 (Notes 6, 7)	30.77%	15,236,000 (Notes 3, 4, 7, 8, 9)	1.11%
IDG-Accel China Growth Fund II L.P.	Beneficial owner	92,049,797 (Note 10)	6.74%	—	—
IDG-Accel China Growth Fund II Associates L.P.	Interest in a controlled corporation	92,049,797 (Note 10)	6.74%	—	—
IDG-Accel China Growth Fund GP II Associates Ltd.	Interest in a controlled corporation	99,577,880 (Note 10)	7.29%	—	—
Ho Chi Sing	Interest in a controlled corporation	99,577,880 (Note 10)	7.29%	—	—
Zhou Quan	Interest in a controlled corporation	99,577,880 (Note 10)	7.29%	—	—
Vertex Asia Investments Pte. Ltd.	Beneficial owner	95,292,000 (Note 11)	6.97%	—	—
Temasek Holdings (Private) Limited	Interest in a controlled corporation	95,292,000 (Note 11)	6.97%	—	—

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 182,268,027 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 all 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.
- (3) Mr. Yuan Xu is the beneficial owner of 27,417,638 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.

- (4) Mr. Hong Zhang is the beneficial owner of 10,702,040 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 24,200,000 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.
- (10) IDG-Accel China Growth Fund II L.P., holds 92,049,797 Shares and IDG-Accel China Investors II L.P., holds 7,528,083 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 Asia Investments Pte. Ltd., a company incorporated under the law of Singapore on 20 April 2011, is 100% owned by Vertex Venture Holdings Ltd, which is ultimately owned by Temasek Holdings (Private) Limited.

Save as disclosed above, as at 30 June 2016, 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 executives’ 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 17 of the 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:

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

Below table sets 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	Number of Pre-IPO share options				
	Outstanding as at 31 December 2015	Exercised during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	Outstanding as at 30 June 2016
Senior management	13,200,000	—	—	—	13,200,000
Connected persons (other than members of the senior management)	2,410,000	430,000	—	—	1,980,000
Other grantees who have been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	4,443,000	196,000	—	—	4,247,000
Other grantees (total 151 grantees)	<u>26,628,500</u>	<u>4,525,088</u>	<u>120,000</u>	<u>—</u>	<u>21,983,412</u>
Total	<u>46,681,500</u>	<u>5,151,088</u>	<u>120,000</u> ^(Note 1)	<u>—</u>	<u>41,410,412</u>

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.

Eligible persons shall be (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, 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, will contribute to or have contributed to the Group.

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

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.

Pursuant to Rule 17.07 of the 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 2015	Granted during the Period	Number of share options			Outstanding as at 30 June 2016
					Exercised during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	
Other employees and eligible persons	11 August 2014	HK\$5.47	360,000	—	—	5,000	—	355,000
Directors								
Ms. Jessie Shen (elected on 3 June 2016)	21 November 2014	HK\$3.51	367,000	—	—	—	—	367,000
Other employees and eligible persons	21 November 2014	HK\$3.51	800,000	—	75,000	225,000	—	500,000
Directors								
Mr. Zongjian Cai	23 March 2015	HK\$3.90	332,000	—	—	—	—	332,000
Mr. Yuan Xu	23 March 2015	HK\$3.90	613,000	—	—	—	—	613,000
Mr. Hong Zhang	23 March 2015	HK\$3.90	605,000	—	—	—	—	605,000
Ms. Jessie Shen (elected on 3 June 2016)	23 March 2015	HK\$3.90	141,000	—	—	—	—	141,000
Mr. Feng Chen (elected on 3 June 2016)	23 March 2015	HK\$3.90	300,000	—	—	—	—	300,000
Mr. Yuan Chi	23 March 2015	HK\$3.90	486,000	—	—	—	—	486,000
Dr. 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
Other connected persons								
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
Mr. Richard Chua Choon Kiat (a director of Tapcash Singapore and IGG Singapore)	23 March 2015	HK\$3.90	200,000	—	—	—	—	200,000
Mr. Shuo Wang (a director of IGG Japan and IGG Korea)	23 March 2015	HK\$3.90	90,000	—	—	—	—	90,000
Other employees and eligible persons	23 March 2015	HK\$3.90	1,520,000	—	—	—	—	1,520,000
Other employees and eligible persons	10 September 2015	HK\$2.94	100,000	—	—	—	—	100,000
Total			<u>7,966,000</u>	<u>—</u>	<u>75,000</u>	<u>230,000</u>	<u>—</u>	<u>7,661,000</u>

11 August 2014

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

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

21 November 2014

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

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

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 (including (i) Mr. Kee Lock Chua, who resigned as a non-executive Director on 4 August 2015, and (ii) Mr. Xiaojun Li, who resigned as a non-executive Director on 31 December 2015, while excluding Mr. Yuan Chi, who was subsequently re-designed as a non-executive Director on 21 August 2015) 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 2016	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2017	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2018	One-third of the total number of share options granted

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

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

10 September 2015

Share options granted on 10 September 2015 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
10 September 2016	25% of the total number of share options granted
10 September 2017	25% of the total number of share options granted
10 September 2018	25% of the total number of share options granted
10 September 2019	25% of the total number of share options granted

Save as disclosed above, during the 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 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 Share Award 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.

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

8 April 2016

On 8 April 2016, the Board (including all independent non-executive Directors) resolved to grant a total of 595,476 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 595,476 awarded shares granted to the selected grantees represents approximately 0.04% 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 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 Board (including all independent non-executive Directors) resolved to grant a total of 987,737 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 987,737 awarded shares granted to the selected grantees represents approximately 0.07% 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 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

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

Date of grant	Outstanding as at 31 December 2015	Grant during the Period	Exercised during the Period	Lapsed during the Period	Balance as at 30 June 2016
25 March 2014	1,050,750	—	350,250	—	700,500
11 August 2014	641,295	—	—	17,591	623,704
21 November 2014	198,975	—	—	24,900	174,075
23 March 2015	2,776,911	—	680,473	103,750	1,992,688
10 September 2015	925,000	—	—	63,000	862,000
8 April 2016	—	595,476	—	—	595,476
3 June 2016	—	987,737	—	—	987,737
Total	5,592,931	1,583,213	1,030,723	209,241	5,936,180

Note: The lapse of awarded shares during the Period was due to termination of employment of certain grantees.

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

TAPCASH SUBSIDIARY SHARE OPTION SCHEME

The Company adopted the Tapcash Subsidiary Share Option Scheme on 5 May 2015. The purpose of the Tapcash Subsidiary Share Option Scheme is to offer selected eligible persons an opportunity to acquire a proprietary interest in the success of Tapcash Cayman and its subsidiaries and to motivate eligible persons to optimize their future contributions to the Tapcash 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 Tapcash Group, and additionally in the case of executive, to enable the Tapcash Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons means any of the following persons: (a) an executive, any full-time or part-time employee, any person to whom any offer of employment has been made, or a person for the time being seconded to work full-time or part-time for any member of the Tapcash Group; (b) a director or proposed director (including a non-executive director and/or an independent non-executive director) of any member of the Tapcash Group; (c) a direct or indirect shareholder of any member of the Tapcash Group; (d) a supplier of goods or services to any member of the Tapcash Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Tapcash 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 Tapcash Group; and (g) an associate of any of the foregoing persons; (h) who, in the sole opinion of the board of Tapcash Cayman, will contribute to or have contributed to the Tapcash Group.

The maximum number of Tapcash Cayman Shares which may be issued upon exercise of all options to be granted under the Tapcash Subsidiary Share Option Scheme and any other schemes of the Tapcash Group (except for the options that are lapsed) shall not in aggregate exceed 10% of the Tapcash Cayman Shares in issue as at the date of approval by Shareholders at the annual general meeting of the Company held on 5 May 2015, that is, 5,000,000 Tapcash Cayman Shares.

The maximum number of Tapcash Cayman Shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Tapcash Cayman Shares in issue from time to time. Where any further grant of options to such an eligible person would result in the Tapcash Cayman Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Tapcash Cayman Shares in issue, such further grant shall be separately approved by the shareholders of the Company in general meeting with such eligible person and his close associates (or his associates if the participant is a connected person) abstaining from voting.

An option may be exercised in accordance with the terms of the Tapcash Subsidiary Share Option Scheme at any time during a period as determined by the board of directors of Tapcash Cayman 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.

The exercise price in respect of any particular option shall be such price as the board of directors of Tapcash Cayman 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 not be less than the nominal value of a Share on the date on which the option is offered in writing to the eligible person.

The Scheme shall be valid and effective for a period of 10 years commencing on the date of the annual general meeting of the Company held on 5 May 2015.

10 September 2015

On 10 September 2015, the board of directors of Tapcash Cayman resolved to grant a total of 1,480,000 Tapcash Share Options to subscribe for 1,480,000 Tapcash Cayman Shares at an exercise price of US\$0.06 per Tapcash Cayman Shares, subject to the acceptances by the grantees of Tapcash Share Options. Among the grantees, except that 32,000 Tapcash Share Options, 32,000 Tapcash Share Options and 20,000 Tapcash Share Options were granted to Ms. Meijia Chen (cousin of Mr. Yuan Xu, an executive Director), Mr. Neng Xu (brother of Mr. Yuan Xu, an executive Director) and Ms. Xiaoming Yang, respectively, none of the grantees is a Director, chief executive or substantial shareholder of the Company or associate of any of them.

Share options granted on 10 September 2015 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 10 September 2016	25% of the total number of share options granted
On 10 September 2017	25% of the total number of share options granted
On 10 September 2018	25% of the total number of share options granted
On 10 September 2019	25% of the total number of share options granted

8 April 2016

On 8 April 2016, the board of directors of Tapcash Cayman resolved to grant a total of 160,000 Tapcash Share Options to subscribe for 160,000 Tapcash Cayman Shares at an exercise price of US\$0.075 per Tapcash Cayman Shares, subject to the acceptances by the grantees of Tapcash Share Options. None of the grantees is a Director, chief executive or substantial shareholder of the Company or associate of any of them.

Tapcash Share Options granted on 8 April 2016 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 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

An aggregate of 92,000 share options granted on 10 September 2015 pursuant to the Tapcash Subsidiary Share Option Scheme were lapsed during the Period, due to the termination of the employment relationship of certain grantees.

The outstanding number of share options under the Tapcash Subsidiary Share Option Scheme as at 30 June 2016 was 1,528,000. Save as disclosed above, during the Period, no share options under the Tapcash Subsidiary Share Option Scheme have been granted, exercised, lapsed or cancelled.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Period and up until the date of this report, except as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme" and "Tapcash Subsidiary Share Option Scheme", none of the Directors or chief executives of the Company held any share options under the Pre-IPO Share Option Scheme, the Share Option Scheme or the Tapcash Subsidiary Share Option Scheme or any awarded shares under the Share Award Scheme.

Save as disclosed above and in the section headed "Disclosure of Interest as per registers kept pursuant to the SFO" in this report, at no time for the six months ended 30 June 2016 were there rights to acquire benefits by means of the acquisition of Shares in, or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

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.

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

During the Period, the Company had bought back the Shares on the Stock Exchange 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	8,806,000	3.81	3.26	30,118,700.00
Total	39,723,000			136,706,070.00

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.

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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Structured Contracts

Background

The existing PRC laws and regulations restrict foreign investment in value-added telecommunication, Internet content and information services, and online games in the PRC. The wholly-owned subsidiary of the Company, Fuzhou Tianji, being a foreign owned enterprise, does not have the requisite licenses to provide services regarding value-added telecommunication, Internet content and information services, and online games in the PRC.

In order to comply with PRC laws restricting foreign ownership in the value-added telecommunication in China, or foreign ownership prohibitions on Internet content and information services, the Group historically operated the licensing and publishing of self-developed browser games and client-based games in China through Fuzhou Tianmeng. Fuzhou Tianmeng, as a domestic company, holds an ICP License, Internet Culture Operating License and Internet Publishing License. In addition, Fuzhou Tianmeng holds certain of the Group's intellectual properties and is also partially vested with the Group's online games development functions.

Major Terms of the Structured Contracts

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

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

- (i) Call Option Agreement: on 30 November 2007, Fuzhou Tianji, Fuzhou Tianmeng and the Founders entered into an exclusive acquisition rights agreement (as supplemented by a supplemental agreement dated 16 September 2013 entered into by the same parties, collectively the “**Call Option Agreement**”), pursuant to which the Founders irrevocably granted the exclusive right to Fuzhou Tianji to require the Founders to transfer their equity interest in Fuzhou Tianmeng to Fuzhou Tianji.
- (ii) Equity Pledge Agreement: on 30 November 2007, Fuzhou Tianji and the Founders entered into an equity interest pledge agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively the “**Equity Pledge Agreement**”), pursuant to which Fuzhou Tianji was entitled to exercise its rights to sell the Founders’ pledged interest in the registered capital of Fuzhou Tianmeng on the occurrence of certain specified events.
- (iii) Power of Attorney of Mr. Zongjian Cai: on 30 November 2007, Mr. Zongjian Cai issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Zongjian Cai, collectively the “**Power of Attorney of Mr. Zongjian Cai**”), pursuant to which Mr. Zongjian Cai authorised Fuzhou Tianji to exercise all the shareholders’ rights of Mr. Zongjian Cai in Fuzhou Tianmeng.
- (iv) Power of Attorney of Mr. Yuan Chi: on 30 November 2007, Mr. Yuan Chi issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Yuan Chi, collectively the “**Power of Attorney of Mr. Yuan Chi**”), pursuant to which Mr. Yuan Chi authorized Fuzhou Tianji to exercise all the shareholders’ rights of Mr. Yuan Chi in Fuzhou Tianmeng.
- (v) Exclusive Technical Consulting Service Agreement: on 30 November 2007, Fuzhou Tianji and Fuzhou Tianmeng entered into an exclusive technical consulting service agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively, “**Exclusive Technical Consulting Service Agreement**”), pursuant to which Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng in consideration of services fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Fuzhou Tianmeng, to be paid on a quarterly basis.
- (vi) Online Game Licensing Agreement: on 16 September 2013, Fuzhou Tianji and Fuzhou Tianmeng entered in an agreement for online game licensing (the “**Online Game Licensing Agreement**”), pursuant to which Fuzhou Tianji will license various online game software to Fuzhou Tianmeng for operation in the PRC market for a consideration of an initial licensing fee and commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

Contribution of the Structured Contracts to the Group

The Directors are of the view that the Group kept the Structured Contracts to maintain presence in the PRC for further development but the business and operation of the Group do not rely on Fuzhou Tianmeng or the Structured Contracts.

The tables below compare the number of games operated, game revenue and assets attributable to Fuzhou Tianmeng during the Period:

Number of games operated:

	Developed in-house	Licensed
	As at 30 June 2016	
Fuzhou Tianmeng	4	—

Game revenue*:

	Revenue	Percentage of the
	attributable to	total revenue of
	the relevant entity	the Group
	For the six months ended	
	30 June 2016	
	USD\$' 000	%
Fuzhou Tianmeng	58	0.05

* Game revenue is from external customers.

Assets:

	Assets	Percentage of
	attributable to	the total assets of
	the relevant entity	the Group
	For the six months ended	
	30 June 2016	
	USD\$' 000	%
Fuzhou Tianmeng	3,824	1.9

On-going reporting and approvals

The Directors confirmed that, as at the date hereof, the Structured Contracts had not been challenged by the relevant authorities in the PRC and the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng under the Structured Contracts.

The Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the Period.
- The independent non-executive Directors will review Structured Contracts annually and confirmed in the annual reports that (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng deducting all related expenses, costs and the taxes payable by it has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng to its equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Structured Contracts.
- The Company has engaged Ernst & Young as its auditors to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditors will carry out procedures annually to ensure that no dividend has been distributed by Fuzhou Tianmeng to its equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.
- The Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.
- Fuzhou Tianmeng has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

Regulatory Matters in Relation to the Structure Contracts

FITE Regulations

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “**FITE Regulations**”), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008 and 6 February 2016. Pursuant to the FITE Regulations, a foreign investor must establish a Chinese-foreign equity joint venture with a Chinese partner to invest in telecommunications industry. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in basic telecommunications business and value-added telecommunications business. The foreign investor’s ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50% except in online data processing and transaction processing (operating E-commerce) businesses both of which can be operated by a wholly foreign-owned enterprise according to the Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business. In addition, the FITE Regulations require a foreign investor to demonstrate a good track record and prior experience in providing value-added telecommunications services business before it can acquire any equity interest in a value-added telecommunications services business in the PRC. However, as advised by our PRC legal advisers, Jingtian & Gongcheng, as at the date of this report, there are no administrative or implementing rules in the PRC defining the term “a good track record and prior experience”. Our PRC legal advisers, Jingtian & Gongcheng, also advised the disclosures in the Prospectus with regard to the qualification requirements on the Group’s business stipulated under the provisions on FITE Regulations remain unchanged since the Listing Date and up to the date hereof.

Draft Foreign Investment Law

On 19 January 2015, the Ministry of Commerce of the PRC (the “**MOC**”) published the draft Foreign Investment Law to solicit public comment, which, when finally adopted, will have significant impact on the foreign investment regime of the PRC. The draft Foreign Investment Law was published accompanied by the MOC’s notes (the “**Notes**”) on, among others, the background, guidelines and principle, and main content of the draft Foreign Investment Law and elaboration on several issues including the treatment of the existing structured contracts arrangement (in other words, VIE arrangements, structured contracts, or contractual arrangements) which were established before the effectiveness of the Foreign Investment Law.

The draft Foreign Investment Law proposes to standardize the market entry requirements and procedures for foreign and domestic investors, replacing the existing requirements for approval of all foreign investments by the competent foreign investment authority, and aims to consolidate and streamline the various regulatory requirements on foreign investment. Meanwhile, the draft Foreign Investment Law redefines the standard of foreign investors and foreign investment in terms of actual control. In particular, where the foreign investors incorporated under the laws of countries or regions other than the PRC, who are under the actual control of PRC investors, engage in any investment as set out in the catalogue of restrictions in the PRC, their investment may be viewed as an investment by PRC investors after the access permission review of the competent foreign investment authorities.

The Notes elaborated three suggested approaches from the academic and practical sectors for public consultation purpose:

- (i) reporting: the structured contracts will be permitted to continue following reporting to MOC that the foreigninvested enterprises are actually controlled by PRC investor(s);
- (ii) verification: the structured contracts will be permitted to continue following confirmation with MOC that the foreign-invested enterprises are actually controlled by PRC investor(s); or
- (iii) approval: the structure contracts being permitted to continue following approval by MOC.

However, the Notes also stated that MOC will broadly seek advices from the public, conduct further research on this issue and then bring out suggestion on its treatment. As advised by our PRC legal advisers, Jingtian & Gongcheng, the above three approaches are set out to solicit public opinions on the treatment of existing structured contracts arrangements and have not been formally adopted and may be subject to revisions and amendments taking into account of the results of public consultation and/or further research and recommendation. Our PRC legal advisers, Jingtian & Gongcheng also advises that there is no definite timeline when the new Foreign Investment Law will come into effect.

As advised by our PRC legal advisers, Jingtian & Gongcheng, considering that the voting rights jointly held by Mr. Zongjian Cai, Mr. Yuan Chi, Ms. Kai Chen, Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang, all of whom are PRC citizens and are parties to an act in concert agreement on 16 September 2013, pursuant to which each of them agreed that they would act in concert with each other with respect to matters relating to the operation of the Company in all material respects, reached approximately 30.77% as at 30 June 2016, which would exert major influence on the Group, Fuzhou Tianmeng can be regarded as being controlled by PRC investors as defined under the draft Foreign Investment Law, however, as at the date of this report, the draft Foreign Investment Law and the Notes are just drafts released for the purpose of public consultation, and both of them have no legal effect. Given this, the Company is of the view that it may not be appropriate at this stage to evaluate the potential impact of the Foreign Investment Law and to formulate any specific measures to keep Fuzhou Tianmeng being controlled by PRC investors. If Fuzhou Tianmeng does not qualify as being controlled by PRC investors when the Foreign Investment Law becomes effective, the Company might be requested to dispose of its interests in Fuzhou Tianmeng. The appropriate risk factors had already been disclosed in the paragraph headed “Risk Relating to our Contractual Arrangement — There is no assurance that the contractual arrangements between Fuzhou Tianji and Fuzhou Tianmeng will be deemed to be in compliance with existing or future PRC laws and regulations” in the “Risk Factors” section of the Prospectus.

The Company confirms that if the Structured Contracts are required to be unwind or the Company is required to dispose the interests in Fuzhou Tianmeng in the future, it can engage other domestic publishers with the due qualifications and licenses to operate its online games in the PRC, which may adversely affect the Group's operational and financial performance because engaging other domestic publishers may impose more costs to the Group. Based on the current market price, it is estimated that such domestic publishers would charge an annual fee of approximately 20% of the annual revenue generated from the games operated by them in the PRC. For illustration purposes, using the games operated by Fuzhou Tianmeng as at 30 June 2016 and the revenue generated from these games for the six months ended 30 June 2016, it is estimated that the annual cost to engage domestic publishers with the due qualifications and licenses to operate such games will not exceed US\$200,000. However, the Company expects that such adverse impact on the Group's operational and financial performance will not be material considering that (1) the revenue and assets attributable to the Structured Contracts are minor, and (2) there is no legal obstacle for Fuzhou Tianmeng to transfer its assets to Fuzhou Tianji or IGG Singapore, as the case maybe, a subsidiary of the Group.

During the Period, the Group has implemented the following measures to ensure the effective operation of the Structured Contracts and the Group's compliance with the Structured Contracts:

- major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- the Company will disclose the overall performance and compliance with the Structured Contracts in its annual/interim report to update the Shareholders and potential investors;
- the Directors will provide periodic updates in the annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations and the development of Foreign Investment Law, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experience to meet these qualification requirements; and
- the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Fuzhou Tianji and Fuzhou Tianmeng to deal with specific issues or matters arising from the Structured Contracts.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of IGG Inc

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements of IGG Inc (the “Company”) and its subsidiaries (together the “Group”) set out on pages 41 to 64, which comprises the interim condensed consolidated statement of financial position as at 30 June 2016, and the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

26 August 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
REVENUE	5	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	5	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	6	27,130	26,716
Income tax expense	7	<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>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
(express in US\$ per share)			
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	
	Notes	2016	2015
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
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	12	<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

	Notes	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	7,973	5,379
Other intangible assets	11	581	903
Non-current assets		3,556	2,531
Interests in an associate and a joint venture		1,286	—
Available for sale investments	12	8,248	8,215
Deferred tax assets		6	6
Total non-current assets		21,650	17,034
CURRENT ASSETS			
Accounts receivable	13	1,386	1,083
Prepayments, deposits and other receivables	14	5,040	3,028
Funds receivable	15	18,285	13,478
Cash and cash equivalents	16	158,746	185,503
Total current assets		183,457	203,092
CURRENT LIABILITIES			
Accounts payable	17	11,201	4,586
Other payables and accruals	18	6,656	3,511
Tax payable		3,782	3,339
Deferred revenue		13,198	16,982
Total current liabilities		34,837	28,418
NET CURRENT ASSETS		148,620	174,674
TOTAL ASSETS LESS CURRENT LIABILITIES		170,270	191,708
NON-CURRENT LIABILITIES			
Deferred tax liabilities		411	454
Total non-current liabilities		411	454
NET ASSETS		169,859	191,254
EQUITY			
Issued capital	19	3	3
Reserves		170,177	190,521
		170,180	190,524
Non-controlling interests		(321)	730
Total equity		169,859	191,254

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 Scheme	Share repurchased for cancellation	Available-for-sale equity investment revaluation reserve (note 12)	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total equity	Non-controlling interests	Total equity
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
At 1 January 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.

Attributable to owners of the parent

	Share capital	Share premium	Share option reserve	Shares held for Share Award Scheme	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 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>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 30 June	
		2016 US\$'000 (Unaudited)	2015 US\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		27,130	26,716
Adjustments for:			
Interest income	6	(256)	(330)
Fair value gain, net:			
Available-for-sale investments	6	—	(91)
Dividend income from listed investments	6	—	(688)
Share of results of an associate and a joint venture		432	—
Loss on disposal of items of property, plant and equipment	10	14	84
Depreciation	6	1,035	626
Amortisation of other intangible assets	6	242	217
Equity-settled share compensation costs		1,085	1,453
		29,682	27,987
(Increase)/decrease in funds receivable		(4,807)	3,567
(Increase)/decrease in accounts receivable		(303)	1,433
Increase in prepayments, deposits and other receivables		(2,012)	(1,987)
Increase in other non-current assets		(1,025)	(565)
Increase in accounts payable		6,615	401
Increase/(decrease) in deferred revenue		(3,784)	3,245
Increase in other payables and accruals		951	956
Cash flows generated from operations		25,317	35,037
Interest received		256	330
Income tax paid		(1,691)	(2,607)
Net cash flows from operating activities		23,882	32,760

	Notes	For the six months ended 30 June	
		2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		—	688
Purchases of items of property, plant and equipment		(1,388)	(798)
Purchases of other intangible assets	11	(39)	(28)
Purchases of available-for-sale investments		(3,459)	(11,649)
Investment in a joint venture		(1,718)	—
Proceeds from disposal of available-for-sale investments		3,027	515
Proceeds from disposal of property, plant and equipment		17	—
Decrease in short term deposits with original maturity over three months		—	42,000
Net cash flows (used in)/generated from investing activities		<u>(3,560)</u>	<u>30,728</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		272	888
Dividends declared and paid to then existing shareholders		(29,962)	(30,342)
Payments for purchase of ordinary shares		(17,623)	—
Disposal of equity interest in a subsidiary without losing control		39	—
Capital contribution from non-controlling interests		—	240
Net cash flows used in financing activities		<u>(47,274)</u>	<u>(29,214)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(26,952)	34,274
Cash and cash equivalents at beginning of year		185,503	127,088
Effect of foreign exchange rate changes, net		195	(266)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>158,746</u>	<u>161,096</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2016, noted below:

Amendments to IAS 1	Disclosure Initiative
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. 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 US\$' 000 (Unaudited)	2015 US\$' 000 (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 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (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.

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

6. 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	5	(256)	(330)
Government grants	5	(287)	—

7. 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 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
Current period provision:		
Singapore	2,049	1,719
Others	85	106
Subtotal of current tax	2,134	1,825
Deferred tax	(43)	58
Total tax charge for the period	2,091	1,883

8. 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).

9. 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 US\$' 000 (Unaudited)	2015 US\$' 000 (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>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired plant and machinery, furniture and fixtures, motor vehicles and leasehold improvements with a cost of US\$3,582,000 (six months ended 30 June 2015: US\$798,000) on additions to property, plant and equipment.

Assets with a cost value of US\$597,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: US\$87,000), resulting in a net loss on disposal of US\$14,000 (six months ended 30 June 2015: US\$84,000).

11. OTHER INTANGIBLE ASSETS

No intangible assets were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
Listed equity investments, at fair value	989	4,415
Unlisted equity investments, at cost	<u>7,259</u>	<u>3,800</u>
	<u>8,248</u>	<u>8,215</u>

During the six months ended 30 June 2016, the gross loss in respect of the Group's available-for-sale investments recognized in other comprehensive income amounted to US\$399,000 (six months ended 30 June 2015: the gross loss of US\$1,129,000).

As at 30 June 2016, certain unlisted equity investments with a carrying amount of US\$7,259,000 (31 December 2015: US\$3,800,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future. The Group was entitled to certain derivative financial instruments in connection with the Group's investments in certain available for sale investments. As at 30 June 2016, fair values of the derivative financial instruments were not material.

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

13. ACCOUNTS RECEIVABLE

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
Prepayments	3,278	1,710
Rental deposits	445	538
Other receivables	1,317	780
	<u>5,040</u>	<u>3,028</u>

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

15. FUNDS RECEIVABLE

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

An allowance for doubtful accounts is recorded in the year in which a loss is determined to be probable. Receivable balances are written off after all collection efforts have been exhausted. As at 30 June 2016, no allowance for doubtful accounts was provided for the funds receivable (31 December 2015: Nil).

As at the end of the reporting period, the funds receivable were aged within 3 months.

16. CASH AND CASH EQUIVALENTS

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
Cash and bank balances	153,346	185,503
Time deposits with original maturity of less than three months	5,400	—
	<u>158,746</u>	<u>185,503</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately US\$2,063,670 (31 December 2015: US\$2,676,422). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

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

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

18. OTHER PAYABLES AND ACCRUALS

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
Accrual construction payables	2,194	—
Other tax payables	414	372
Other payables	1,682	824
Provision for chargebacks	122	117
Salary and welfare payables	2,141	2,151
Other accruals	103	47
	<u>6,656</u>	<u>3,511</u>

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

19. SHARE CAPITAL

Shares

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (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 US\$' 000 (Unaudited)	Share premium account US\$' 000 (Unaudited)	Shares held for share award scheme US\$' 000 (Unaudited)	Shares repurchased for cancellation US\$' 000 (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 20)	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	(35,361,000)	—	(15,659)	—	15,659
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 20)	23,560,331	—	1,341	—	—
At 30 June 2015	<u>1,394,045,930</u>	<u>3</u>	<u>186,681</u>	<u>(4,037)</u>	<u>—</u>

20. 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) US\$ (Unaudited)	Number of options (Note) (Unaudited)	Weighted average exercise price per share (Note) US\$ (Unaudited)	Number of options (Note) (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	0.0446	(5,151,088)	0.0376	(23,560,331)
At 30 June	0.0617	41,410,412	0.0597	49,525,169

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 US\$	Exercise period
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
8,410,412	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 19 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 ongoing relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (defined as below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

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

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

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

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

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

The exercise price in respect of any particular option shall be such price as the board of directors may in its absolute discretion determines at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange’s daily quotation sheet on the offer date, which must be a business day; (b) the average 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	3.55	(230,000)
	<u>3.92</u>	<u>7,661,000</u>
At 30 June	<u>3.92</u>	<u>7,661,000</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
100,000	2.94	10-09-2016 to 10-09-2025
<u>7,661,000</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.

21. CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, neither the Group nor the Company had any significant contingent liabilities.

22. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
Within one year	1,688	1,761
In the second to fifth years, inclusive	5,858	6,376
After five years	1,991	2,932
	<u>9,537</u>	<u>11,069</u>

23. CAPITAL COMMITMENTS

The Group had several capital commitments as at 30 June 2016 and 31 December 2015.

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 US\$' 000 (Unaudited)	31 December 2015 US\$' 000 (Audited)
Contracted, but not provided for:		
Leasehold improvements	<u>447</u>	<u>837</u>

24. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
		2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
Customer and marketing services fee paid to 199 Digital Co., Ltd.	(i)	<u>66</u>	<u>—</u>
Consulting services fee paid to Hongbin You	(ii)	<u>25</u>	<u>28</u>
		<u>91</u>	<u>28</u>
Research and development service provided to PocketSocial Technologies Inc ("PST")	(iii)	<u>286</u>	<u>—</u>

The related party transactions for (ii) and (iii) constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

- (i) 199 Digital Co., Ltd. is an associate, of whom 49% and 51% of equity interests were held as to IGG Inc and an unrelated party, respectively.
- (ii) Hongbin You is a company wholly owned by Ms. Hongbin You, who is a sister-in-law of Mr. Hong Zhang, a member of the Controlling Shareholders.
- (iii) PST is a joint venture, of whom 58.0%, 37.0% and 5.0% of equity interests were held by IGG, Maple Sunrise, and independent individuals, respectively. PST is not accounted and consolidated as a subsidiary of the Group, on the basis that no unilateral control can be exercised over the board of directors as unanimous approval shall be required for all members of the board on decisions regarding operating and financing activities significantly affect their returns to PST, and there is not any vote-in-concert arrangement between the Group and other shareholders.

- (b) Outstanding balance with a related party

The balance with a related party is unsecured, interest-free and payable on demand.

- (c) Compensation of key management personnel of the Group is as follows:

	For the six months ended 30 June	
	2016 US\$' 000 (Unaudited)	2015 US\$' 000 (Unaudited)
Short term employee benefits	650	836
Equity-settled share option expense	303	355
	<u>953</u>	<u>1,191</u>

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2016 US\$' 000	31 December 2015 US\$' 000	30 June 2016 US\$' 000	31 December 2015 US\$' 000
Financial assets				
Available-for-sale investments-listed				
equity instruments (note 12)	989	4,415	989	4,415
Other non-current assets	316	325	310	320
	<u>1,305</u>	<u>4,740</u>	<u>1,299</u>	<u>4,735</u>

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

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2016

	Fair value measurement using			Total US\$' 000
	Quoted prices in active markets (Level 1) US\$' 000	Significant observable inputs (Level 2) US\$' 000	Significant unobservable inputs (Level 3) US\$' 000	
	Available-for-sale investments – listed equity instruments (note 12)	989	—	

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			Total US\$' 000
	Quoted prices in active markets (Level 1) US\$' 000	Significant observable inputs (Level 2) US\$' 000	Significant unobservable inputs (Level 3) US\$' 000	
	Available-for-sale investments – listed equity instruments (note 12)	4,415	—	

During the six month ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3.

Assets for which fair values are disclosed

As at 30 June 2016

	Fair value measurement using			Total US\$' 000
	Quoted prices in active markets (Level 1) US\$' 000	Significant observable inputs (Level 2) US\$' 000	Significant unobservable inputs (Level 3) US\$' 000	
	Non-current rental deposits	—	310	

Assets for which fair values are disclosed

As at 31 December 2015

	Fair value measurement using			Total US\$' 000
	Quoted prices in active markets (Level 1) US\$' 000	Significant observable inputs (Level 2) US\$' 000	Significant unobservable inputs (Level 3) US\$' 000	
	Non-current rental deposits	—	320	

26. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2016.

DEFINITIONS

“Articles of Association” or “Articles”	the articles of association of the Company as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong and the Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
“BVI”	British Virgin Islands
“China”	the People’s Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“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, 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 14 to the Listing Rules
“Directors(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, the entire issued share capital of which is owned by Mr. Yuan Chi, one of the Controlling Shareholders
“Founders”	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)

“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, 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 HK”	Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司), a company incorporated under the laws of Hong Kong on 20 February 2006 and a wholly-owned subsidiary of the Company
“IGG Japan”	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 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 and a wholly-owned subsidiary of the Group
“IGG Singapore”	IGG Singapore Pte. Ltd. (formerly known as Skyunion Pte. Ltd.), a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company
“IGG US”	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Company

“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, our subsidiaries or any of their respective associates
“Listing Date”	18 October 2013, on which dealings in Shares first commence on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“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”	the six months ended 30 June 2016
“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 (Chapter 571 of the Laws of Hong Kong)
“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”	has the meaning ascribed thereto in the Listing Rules
“Structured Contracts”	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement
“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 Group”	Tapcash Cayman and its subsidiaries
“Tapcash Cayman Share(s)”	ordinary share(s) of US\$0.00025 each in the capital of Tapcash Cayman
“Tapcash Singapore”	Tap Media Technology Pte. Ltd., a company incorporated under the laws of Singapore on 30 December 2014, a non-wholly owned subsidiary of the Group
“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 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, 26 August 2016