2016 ANNUAL REPORT

IGG

I GOT GAMES

Incorporated in the Cayman Islands with limited liability

IGG INC Stock code: 799

CONTENTS

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

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Singapore 159944

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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28 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Ernst & Young

CORPORATE INFORMATION

LEGAL ADVISER AS TO HONG KONG LAWS
Mayer Brown JSM

LEGAL ADVISER AS TO PRC LAWS
Jingtian & Gongcheng

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
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183 Queen's Road East, Wanchai
Hong Kong

COMPANY WEBSITE
www.igg.com

PRINCIPAL PLACE OF BUSINESS IN THE PRC
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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

CHAIRMAN'S STATEMENT

Looking back at our early days, IGG succeeded in transitioning from a game publisher into a developer because we believed that 'Fortune Favors the Bold'. Over the past decade, we have kept pace with the rapidly evolving game industry and redirected our focus from client-based games to browser games, then to mobile games, striving for sustainable growth. We are thankful to have achieved a major breakthrough with "Castle Clash" in 2013, and to have surpassed ourselves with "Lords Mobile" in 2016.

IGG also achieved significant milestones in 2016. Notwithstanding the heightened market competition last year, the Group ended the year on a high note, marked by record revenues and profits. Driven by the jump in revenue across signature games, revenue grew by 59% year-over-year to US$322 million and net profit surged 74% to nearly US$72 million in 2016. We further expanded our global presence and operations, enhancing our competitive advantage. "Lords Mobile" is currently available in 16 languages, and was selected as the **Most Competitive Game of 2016** on Google Play in 73 countries. "Lords Mobile" achieved many breakthroughs for the Group with huge success on the iOS platform and in Asia. We are confident of building on this success to drive significant growth for "Lords Mobile" in 2017. At the same time, "Castle Clash", "Clash of Lords" and other existing signature games delivered solid performances in 2016, continuing to contribute significant revenue to the Group. "Castle Clash", as the Group's most profitable game to date, shows no signs of slowing down 3 years after its launch. Game revenue grew by 12% in 2016 with monthly gross revenue of nearly HK$100 million.

A global R&D team is a key success factor of the Group. Going forward, IGG's strategy is to focus on quality, innovation and excellence. We have over 500 R&D talents around the world, striving to create innovative mobile games of the highest quality for the global market. The huge success of "Lords Mobile" validates our strategy. Operationally, the Group has adopted a more diverse approach in its marketing strategies globally. We tried a number of new marketing ideas and campaigns in 2016, extending beyond online advertising to new channels and media, including offline events, TV advertisements, print media, live streaming platforms, and social media influencers.

IGG received several awards in 2016, including the "2016 China Securities Golden Bauhinia Award: Best Growth Potential", the "Golden Hong Kong Stocks Award: Best Listed Company on Market Value Management", and the "2016 China Financial Market Listed Companies Award: Listed Company with the Most Potential" etc. The Group has been selected for the "Hang Seng Stock Connect Hong Kong Index" and "Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index". These important recognitions from the capital market are a vote of confidence for IGG's overall development.

2016 was IGG's 10th anniversary. The Group marked the occasion by embracing within our corporate culture the spirit of 'Innovators at Work, Gamers at Heart', as we pursue sustainable development goals. IGG aims to raise the bar and scale new heights in the games industry as it passionately creates innovative yet classic games that will endure the test of time. The Group will continue to monitor the latest developments in the games industry and explore state-of-the-art technologies. We will also pay close attention to potential M&A projects to expand and enrich our product portfolio, and further sharpen our competitive edge. We will continue to create value and deliver higher returns to our shareholders.

Zongjian Cai
Chairman and Executive Director

22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a renowned developer and publisher of mobile games with a strong global presence and international customer base. The Group is headquartered in Singapore with regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, Korea, Thailand, Belarus and the Philippines, and customers from over 200 countries and regions around the world.

Leveraging its success in browser and client-based online games, starting in 2013, the Group redirected its strategy to target mobile games market. The Group currently offers free-to-play mobile games in 18 different languages, the majority of which are produced by internal development teams. From the start, the Group has aggressively pursued 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. In the second half of 2016, our games gained more popularity in the Asian markets and the region emerged as a new driver of growth for the Group. Under the leadership and direction of its Singapore headquarters, the Group's 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 year 2016, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2016, the Group has maintained its focus on (i) developing high-quality mobile games, and (ii) strengthening the Group's capabilities on global marketing and operations of mobile games including setting up local teams in key markets around the world to tap into local knowledge for more effective game operations.

Mobile Games

During the year 2016, the Group continued to develop new games founded on a bedrock of strong game research, developmental capabilities and the spirit of continuous innovation. Revenue from mobile games accounted for approximately 98.3% of the total revenue for the year ended 31 December 2016.

Lords Mobile

In March 2016, the Group released Lords Mobile, a real-time war strategy game. Being the Group's first cross-platform, multi-language, global mega-server game, Lords Mobile achieved many breakthroughs and won multiple accolades. It was selected as the "Most Competitive Game" for Google Play's "Best of 2016" games category in 73 countries. The game's intense and intriguing features attracted high ARPU players, propelling its revenue to unprecedented heights, with particularly impressive results on the iOS platform as well as in Asia. The game achieved monthly gross revenue of US$10 million within 5 months of launch, nearly US$20 million within 8 months of launch, and nearly US$30 million within 10 months of launch, breaking all records for revenue growth in the Group's history. The monthly gross revenue surpassed US$31 million in both January and February 2017. As of 31 December 2016, the game had approximately 4 million MAU.

MANAGEMENT DISCUSSION AND ANALYSIS

Castle Clash

Castle Clash, a fast-paced tower defense game, continued its growth momentum, with an increase of approximately 12.1% in revenue compared to 2015, and remained as the Group's most profitable title. The Group has excelled in extending the lifespan of the game by regularly introducing new game features, expeditiously resolving technical issues, consistently providing industry-leading customer services, and building a large community of loyal gamers around the world. Castle Clash ranked top five in 7 countries and regions and top ten in 28 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 December 2016, according to App Annie, an independent mobile App analytics platform. The game is now available in 15 languages on Android, iOS, Amazon and Windows Phone platforms, making it easily accessible to players around the world. As of 31 December 2016, the MAU of the game was approximately 9 million.

Global Presence

During the year, the Group's customers consisted of players from more than 200 countries and regions around the world, underlying our international reach. The Group continued to design, develop and launch games in multiple languages, distribute and promote the games in different countries. As at 31 December 2016, the user community of the Group consisted of over 380 million registered players around the world, with a total MAU of approximately 17 million. During the year, approximately 32.6%, 31.7% and 30.8% of the total revenue of the Group was generated from players with IP addresses in Asia, Europe, and North America, respectively.

To strengthen its presence in Eastern European and Middle Eastern markets, in 2016, the Group set up a regional office in Belarus to recruit local talent for game development and operations, and established a new business unit specializing on games for the Middle East. As at 31 December 2016, the Group has regional offices in 10 countries and regions. Besides, the Group strives to bolster its long-term partnership with Apple, Google, Amazon, Microsoft, as well as more than 100 other global platforms and partners to implement its global marketing strategy. The Group's global presence and partnerships have enhanced its competitive advantage within the industry by providing higher value analysis of its players' expectations from different cultures, and allowing the Group to cater to their needs more efficiently.

Over the past years, the Group demonstrated strong capability and a proven track record for global digital marketing. During 2016, the Group further stepped up localization effort to promote its games offline. Tailor-made promotional strategies for regional markets including tactics such as live game streaming, print media advertising and TV commercials have yielded promising results and attracted numerous loyal gamers.

Fueled by the huge success of new title "Lords Mobile", there was a phenomenal increase in the Group's results for the year 2016. According to the independent mobile analytics platform App Annie, in terms of revenue for 2016, IGG moved up 7 spots to rank 27th among the top-performing app publishers globally as compared to 2015.

Prospect

The Group has several strategy games and tile-matching games in the pipeline for 2017. In addition, the sequel to Castle Clash and Clash of Lords, as well as a sandbox game named TUG, are all under development. Emphasizing quality over quantity, the Group will devote more resources to polish the games to achieve top-notch quality, in order to create games with longer lifespan and deliver state-of-the-art gaming experience to our players. 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.

In view of the increasingly competitive market environment, the Group strives to build on its strength in global operation for more effective user acquisition. In 2017, the Group will scale up its localised marketing efforts, targeting regions with untapped potential.

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

KEY FINANCIAL INFORMATION

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Revenue	**322,087**	202,546
Profit for the year	**71,623**	41,248
Profit for the year attributable to owners of the parent	**72,616**	41,492
Adjusted net income*	**74,941**	44,187

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2016 was approximately US$322.1 million, representing an increase of approximately 59.1% over approximately US$202.5 million for the year ended 31 December 2015. This is primarily due to (i) the outstanding performance of the new title "Lords Mobile", which was launched in March 2016, and (ii) the increase in the revenue generated from the existing signature game "Castle Clash".

Revenue by game types

The following table sets out the breakdown of the Group's revenue by game types for the years ended 31 December 2016 and 2015, respectively:

	Year ended 31 December			
	2016		2015	
	US$'000	**%**	US$'000	%
Mobile games	**316,707**	**98.3**	190,479	94.0
Others	**5,380**	**1.7**	12,067	6.0
Total	**322,087**	**100.0**	202,546	100.0

Revenue by geographical markets

The following table sets forth a breakdown of the Group's revenue by geographical markets based on IP locations of the players for the years ended 31 December 2016 and 2015, respectively:

	Year ended 31 December			
	2016		2015	
	US$'000	**%**	US$'000	%
Asia	**105,092**	**32.6**	51,564	25.5
Europe	**102,061**	**31.7**	63,464	31.3
North America	**99,224**	**30.8**	75,330	37.2
Others	**15,710**	**4.9**	12,188	6.0
Total	**322,087**	**100.0**	202,546	100.0

Revenue by games

The following table sets forth a breakdown of the Group's revenue by games for the years ended 31 December 2016 and 2015, respectively:

	Year ended 31 December			
	2016		2015	
	US$'000	**%**	US$'000	%
Castle Clash	**135,656**	**42.1**	120,997	59.7
Lords Mobile	**124,419**	**38.6**	—	—
Clash of Lords series	**33,471**	**10.4**	34,644	17.1
Deck Heroes	**13,772**	**4.3**	14,593	7.2
Others	**14,769**	**4.6**	32,312	16.0
Total	**322,087**	**100.0**	202,546	100.0

Cost of sales

The Group's cost of sales for the year ended 31 December 2016 was approximately US$103.2 million, representing an increase of approximately 66.5% as compared to that of approximately US$62.0 million for the year ended 31 December 2015, primarily due to the increase in channel costs as a result of the expansion of mobile game business.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2016 was approximately US$218.9 million, representing an increase of approximately 55.8% as compared to that of approximately US$140.5 million for the year ended 31 December 2015, primarily due to the increase in the revenue.

The Group's gross profit margin for the year ended 31 December 2016 was approximately 68.0%, representing a decrease by approximately 1.4% as compared to that of approximately 69.4% for the year ended 31 December 2015, primarily due to higher channel costs in relation to mobile games compared to browser games and client-based games.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2016 were approximately US$80.1 million, representing an increase of approximately 92.1% as compared to that of approximately US$41.7 million for the year ended 31 December 2015, primarily due to additional advertising and promotional activities for the new title "Lords Mobile".

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2016 were approximately US$23.6 million, representing an increase of approximately 8.3% as compared to that of approximately US$21.8 million for the year ended 31 December 2015, primarily due to (i) the increase in salaries, performance-based bonus and staff welfare as a result of business expansion, and (ii) higher expenses related to setting up offices in various countries.

Research and development costs

The Group's research and development costs for the year ended 31 December 2016 were approximately US$36.0 million, representing an increase of approximately 33.8% as compared to that of approximately US$26.9 million for the year ended 31 December 2015, primarily due to (i) the increase in salaries, performance-based bonus and share-based payment expenses in connection with the game development team, and (ii) the increase in research and development outsourcing expenses attributable to the enrichment of our game portfolio.

Other expenses

The Group's other expenses for the year ended 31 December 2016 were approximately US$2.6 million, representing a decrease of approximately 60.0% over approximately US$6.5 million for the year ended 31 December 2015, primarily due to the reduction of impairment loss with respect to the Group's investments in several online gaming companies.

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2016 were approximately US$5.7 million, representing an increase of approximately 54.1% as compared to that of approximately US$3.7 million for the year ended 31 December 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 equipment, as well as intangible assets such as software and trademark. Capital expenditures for the years ended 31 December 2016 and 2015 are set forth as below:

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Purchase of property, plant and equipment	**4,904**	4,137
Purchase of intangible assets	**91**	312

Capital commitments

As at 31 December 2016, the Group had a capital commitment of approximately US$0.2 million (31 December 2015: US$0.8 million). Please refer to note 32 to the consolidated financial statements for details of the Group's capital commitments.

Liquidity and capital resources and gearing ratios

As at 31 December 2016, the Group had net current assets of approximately US$177.0 million (31 December 2015: US$174.7 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 19.6% (31 December 2015: 13.1%).

As at 31 December 2016, the Group had cash and cash equivalents of approximately US$184.1 million (31 December 2015: US$185.5 million).

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

The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Net cash flows from operating activities	**74,426**	53,562
Net cash flows (used in)/from investing activities	**(7,051)**	45,604
Net cash flows used in financing activities	**(68,415)**	(39,904)
Net change in cash and cash equivalents	**(1,040)**	59,262
Cash and cash equivalents at beginning of year as stated in the consolidated statement of cash flows	**185,503**	127,088
Effect of foreign exchange rate changes, net	**(402)**	(847)
Cash and cash equivalents at end of year as stated in the consolidated statement of cash flows	**184,061**	185,503

Operating activities

Net cash flows from operating activities increased from approximately US$53.6 million for the year ended 31 December 2015 to approximately US$74.4 million for the year ended 31 December 2016. This is primarily due to better operating performance in 2016, especially higher cash inflow from new title "Lords Mobile".

Investing activities

Net cash flows used in investing activities was approximately US$7.1 million for the year ended 31 December 2016, compared to net cash flows from investing activities of approximately US$45.6 million for the year ended 31 December 2015, which was primarily attributable to certain addition of unlisted equity investments in 2016, as well as the decrease of investments in time deposits with original maturity of over three months in 2015.

Financing activities

Net cash flows used in financing activities was approximately US$68.4 million for the year ended 31 December 2016, representing an increase of approximately US$28.5 million as compared to that of approximately US$39.9 million for the year ended 31 December 2015, which was primarily attributable to the payment of the second interim and special dividends for the year ended 31 December 2015 and the interim dividend for the year ended 31 December 2016, as well as the share buy-backs made by the Company during the year ended 31 December 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. 55.6% of the sales are denominated in currencies other than the functional currency of the operating units making the sales for the year ended 31 December 2016 (31 December 2015: 64.4%).

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 is comprised of ordinary Shares.

Dividend

The Board resolved to declare a second interim dividend of HK8.0 cents per ordinary Share (equivalent to US1.0 cent per ordinary Share) and a special dividend of HK5.4 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share). Together with the first interim dividend of HK4.3 cents per ordinary Share (equivalent to US0.6 cents per ordinary Share) paid in September 2016, the total dividends per ordinary Share for the year ended 31 December 2016 would be HK17.7 cents per ordinary Share (equivalent to US2.3 cents per ordinary Share) (31 December 2015: the total dividends of HK21.0 cents per ordinary Share, equivalent to US2.7 cents per ordinary Share).

The register of members of the Company will be closed from Friday, 7 April 2017 to Tuesday, 11 April 2017, both days inclusive, for the purpose of determining shareholders' entitlements to the second interim and special dividend. The record date for entitlement to the second interim and special dividend is on Tuesday, 11 April 2017. In order to qualify for the second interim and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's 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 Thursday, 6 April 2017. The payment date of the second interim and special dividend is expected to be on Tuesday, 25 April 2017.

Human Resources

As at 31 December 2016, the Group had 969 employees (31 December 2015: 860). The table below sets forth the number of employees in each functional area as at 31 December 2016 and 2015 respectively:

	2016		2015	
Function	**Number of Employees**	**% of total**	Number of Employees	% of total
Development	**528**	**54.5**	436	50.7
Operation	**236**	**24.4**	241	28.0
Supporting Departments	**205**	**21.1**	183	21.3
TOTAL	**969**	**100.0**	860	100.0

The Group's total staff-related costs amounted to approximately US$38.4 million for the year ended 31 December 2016 (31 December 2015: US$32.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Employees' and Directors' Emoluments

Details of Directors' emoluments and five individuals with highest emoluments are set out in notes 9 and 10 to the consolidated financial statements.

Significant investment

During the year ended 31 December 2016, the Group did not hold any significant investment in equity interest in any other company (31 December 2015: nil).

Interest capitalised

No interest was capitalised by the Group for the year ended 31 December 2016 (31 December 2015: nil).

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the year ended 31 December 2016, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures (31 December 2015: nil).

Charges on assets

As at 31 December 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 significant contingent liabilities as at 31 December 2016 (31 December 2015: nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zongjian Cai (蔡宗建), aged 39, was appointed as an executive Director of the Company on 31 October 2007 and is the Chief Executive Officer of the Company. Mr. Cai is one of the founders of the Group and is primarily responsible for the corporate strategic planning and overall business development of the Group. Mr. Cai also acts as a director of the Company's subsidiaries, including Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司), Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司) and Tap Media Technology Inc.. Mr. Cai has approximately 17 years of experience in online game industry. He worked at Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機信息網絡技術有限公司) as a vice president from May 2000 to November 2003 and piloted the development of 17173.com. Mr. Cai also worked as the Chief Executive Officer of 17173.com, which is acquired by Sohu.com Inc., a company listed on NASDAQ (Stock Code: SOHU), from November 2003 to January 2005 and a consultant for both Beijing Sohu New Era Information Technology Co., Ltd.* (北京搜狐新時代信息技術有限公司) and 17173.com from January 2005 to June 2005. Mr. Cai graduated from Fuzhou University (福州大學) with a college diploma in computer and accounting in June 1998. In the three years preceding the date of this annual report, Mr. Cai had not been a director of any other listed company.

Mr. Yuan Xu (許元), aged 42, was appointed as an executive Director on 21 August 2015 and is the Group's Chief Operating Officer. Mr. Xu has approximately 17 years of experience in project and corporate management. He joined the Group in September 2007 and is primarily responsible for the global business operation strategies of the Group. Prior to joining the Group, Mr. Xu worked as a graduate researcher at University of California, Santa Cruz, from September 1999 to July 2004. He also worked at Nanoconduction Inc. as a project leader from September 2004 to June 2007. Mr. Xu graduated from Beijing University of Technology* (北京工業大學) with a bachelor's degree in applied physics in July 1998. He also graduated from University of California, Santa Cruz, with a degree of doctor of philosophy in electrical engineering in June 2004. In the three years preceding the date of this annual report, Mr. Xu had not been a director of any other listed company.

Mr. Hong Zhang (張竑), aged 45, was appointed as an executive Director on 21 August 2015 and is the Group's Chief Technology Officer and the senior vice president of global operations. Mr. Zhang also acts as a director of certain subsidiaries of the Company, including Tap Media Technology Inc. and Nerd Kingdom, Inc.. Mr. Zhang has approximately 20 years of experience in information technology industry. He joined the Group in December 2008 and is primarily responsible for the overall technology operation of the Group. Prior to joining the Group, Mr. Zhang worked at Charles Schwab as a senior technology staff from August 2000 to November 2005. He was also employed by Corporate Computer Services Inc. from November 2005 to November 2008 as a software engineer, assigned to Barclays Global Investors as an information technology consultant. Mr. Zhang graduated from Zhejiang University* (浙江大學) with a bachelor's degree in engineering in June 1994, a master degree in engineering in June 1997. He also graduated from University of California, San Francisco, with a master degree in science in September 2000. In the three years preceding the date of this annual report, Mr. Zhang had not been a director of any other listed company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Jessie Shen (沈潔蕾), aged 46, was elected as an executive Director on 3 June 2016 and is the Group's Chief Financial Officer and one of the joint company secretaries. Ms. Shen has approximately 20 years of experience in accounting and corporate finance. She was appointed as the Chief Financial Officer of the Group on 10 November 2014. She joined the Group in March 2009 as the senior vice president of finance and has been primarily responsible for corporate finance, accounting and tax management of the Group. Prior to joining the Group, she worked as an auditor at Diwan, Ernst & Young from July 1992 to August 1994, and a finance associate manager of Aurora Corporation, a company listed on the Taiwan Stock Exchange (Stock Code: 2373), from March 1995 to March 1998 and from August 2001 to January 2002. Ms. Shen also held finance and company secretary positions at Rock Mobile Group from January 2003 to March 2007. She worked at Neo Solar Power Corp., a company listed on Taiwan Stock Exchange (Stock Code: 3576), as a finance manager from December 2007 to March 2009. Ms. Shen graduated from Tunghai University with a bachelor's degree in accounting in June 1992. She also graduated from Rutgers, The State University of New Jersey with a master degree in business administration in October 1999. Ms. Shen passed the exam of a certified public accountant in both Washington State and Taiwan, and was a member of the Institute of Internal Auditors and a member of Taiwan Institute of Internal Auditors* (中華民國內部稽核協會). In the three years preceding the date of this annual report, Ms. Shen had not been a director of any other listed company.

Mr. Feng Chen (陳 豐), aged 44, was elected as an executive Director on 3 June 2016 and was one of the individual investors investing in the Company prior to the listing of the Company on the Stock Exchange in 2013. In April 2014, Mr. Chen joined the Company as the senior vice president of corporate strategy and has been responsible for leading several strategic investments made by the Company in external startups and internal incubated projects. Mr. Chen also acts as a director of certain subsidiaries of the Company, including Tap Media Technology Inc. and Nerd Kingdom, Inc.. Prior to joining the Company, from July 1996 to August 2001, Mr. Chen served as a senior design engineer at Broadcom Corporation (currently known as Broadcom Ltd.), an American fabless semiconductor company, and was responsible for the development of one of the world's first DOCSIS standard compliant cable modem chipset. From May 2002 to June 2007, Mr. Chen served various positions at NetDragon Websoft Inc. ("NetDragon"), an online game developer and operator in the PRC listed on the Stock Exchange, including the senior vice president of overseas business development from May 2002 to June 2007, during which Mr. Chen was responsible for (i) spearheading the launch of free-to-play MMORPG game, Conquer Online, in early 2004, and grew it to an MMORPG game with over 60,000 concurrent peak players and over US$2.0 million monthly revenue; (ii) negotiating and executing of a number of strategic investments and mergers and acquisitions, including the investment of IDG Technology Venture Fund into NetDragon and the sale of 17173.com by NetDragon to Sohu Inc. at a consideration of US$20.5 million; and (iii) taking a key role in the initial public offering of NetDragon. In August 2007, Mr. Chen founded Ingle Games Ltd., a publisher that aimed at publishing MMORPG games developed by Chinese game developers in the western market, and served as the Chief Executive Officer of Ingle Games Ltd. from August 2007 to December 2010. From March 2011 to March 2014, Mr. Chen served as the senior vice president of overseas development at 91.com, an online game developer in the PRC, and led the launch of MoboMarket, the premier third party Android app market, in the worldwide market. Mr. Chen graduated from University of California, Los Angeles with a Master of Science Degree in electrical engineering in 1995. In the three years preceding the date of this annual report, Mr. Chen had not been a director of any other listed company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Yuan Chi (池元), aged 60, was redesignated as a non-executive Director on 21 August 2015. Mr. Chi is one of the founders of the Group and he also acts as a director of the Company's subsidiaries, including Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司), Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司), Tap Media Technology Inc. and Tap Media Technology Pte. Ltd.. Mr. Chi has approximately 19 years of experience in the information technology industry. Prior to joining the Group, Mr. Chi worked as the general manager of Fujian Window Network Information Co., Ltd.* (福建之窗網絡信息有限公司) (www.66163.com) from April 1998 to June 2007. He was the vice president of Fujian Rongji Software Co., Ltd.* (福建榕基軟件股份有限公司), a company listed on Shenzhen Stock Exchange (Stock Code: 002474), from November 2000 to September 2003. Mr. Chi also worked at Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機信息網絡技術有限公司) from October 2003 to November 2007. Mr. Chi graduated from Fuzhou University with a bachelor's degree in water resources and hydropower engineering in July 1982 and a master degree in hydraulic structure in March 1990. Save as disclosed above, in the three years preceding the date of this annual report, Mr. Chi had not been a director of any other listed company.

Independent Non-executive Directors

Dr. Horn Kee Leong (梁漢基), aged 64, was appointed as an independent non-executive Director on 16 September 2013. Dr. Leong is currently the chairman of CapitalCorp Partners Private. He has been Singapore's Non-resident High Commissioner to Cyprus since July 2014. Since 1983, until prior to joining CapitalCorp Partners Private Limited, Dr. Leong held various management positions including as an executive director and consultant of Far East Organization Centre Pte. Ltd., the Chief Executive Officer of Yeo Hiap Seng Ltd, the managing director of Orchard Parade Holdings Limited, a corporate finance director of Rothschild (Singapore) Limited. From 1977 to 1983, Dr. Leong held various positions at the Ministry of Finance and at the Ministry of Trade & Industry of Singapore. He was a member of Parliament of Singapore from 1984 to 2006. He was Singapore's non-resident ambassador to Mexico from September 2006 to February 2013. In addition to the above, Dr. Leong held directorships in the following listed companies in the past three years preceding the date of this annual report:

Period	Name of company	Position
14 August 2015 - present	Tat Hong Holdings Ltd, listed on Singapore Stock Exchange	Chairman of the board
October 2013 - present	VIVA Industrial Trust Management Pte Ltd, which is the management company of Viva Industrial Trust listed on Singapore Stock Exchange	Chairman of the board
June 2013 - present	SPH Reit Management Pte Ltd, which is the management company of SPH Reit listed on Singapore Stock Exchange	Chairman of the board
4 November 2010 - 22 May 2015	Amtek Engineering Ltd, listed on Singapore Stock Exchange	Independent non-executive director
19 January 2001 - 13 August 2015	Tat Hong Holdings Ltd, listed on Singapore Stock Exchange	Independent non-executive director
30 June 2000 - 31 December 2015	Wilmar International Limited, listed on Singapore Stock Exchange	Independent non-executive director
9 September 2008 - 20 November 2014	China Energy Limited, listed on Singapore Stock Exchange	Independent non-executive director
15 December 2000 - 28 April 2014	ECS Holdings Limited, listed on Singapore Stock Exchange	Independent non executive director (Lead independent director from 1 January 2013 to 28 April 2014)
17 August 2009 - 30 September 2013	Linair Technologies Limited, listed on Singapore Stock Exchange	Independent non-executive director

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

Mr. Dajian Yu (余大堅), aged 68, was appointed as an independent non-executive Director on 16 September 2013. Mr. Yu has over 16 years of experience in venture capital investment and in senior management in semiconductor, electronic, IT and pharmaceutical industries. Since 2010, he has been the vice president of Silicon Valley China Venture Management LLC and the director of several portfolio companies, Cadeka Technology Holding Ltd., Efficient Drivetrains Inc, Consensic International Inc., Tricopian, LLC., Akros Silicon Inc. and Chelsio Communications. He has also been the partner of BayHill Partners since 1999. Mr. Yu held senior management positions at several companies, including director of operations at General Parametrics Corporation from 1985 to 1996, vice president at Topology Corporation from 1996 to 1999, and vice president of Fuzhou Tianmeng from 2009 to 2010. Mr. Yu graduated from South China University of Technology (華南理工大學) (formerly known as South China Technology College* (華南工學院)) with a bachelor's degree in electrical engineering in July 1982. In the three years preceding the date of this annual report, Mr. Yu had not been a director of any other listed company.

Ms. Zhao Lu (陸 釗), aged 49, was appointed as an independent non-executive Director on 16 September 2013. Ms. Lu is currently the president of Fujian New Media Animation Game Associate* (福建省動漫遊戲協會新媒體產業聯盟) and also serves as the vice president of Amphenol AssembleTech (Ningde) Co., Ltd* (安費諾(寧德)電子有限公司). She was the general manager of Fuzhou Lingdong Network Science and Technology Co., Ltd.* (福州靈動網絡科技有限公司) from February 2009 to December 2012 and the general manager of Tian Liang Customer Service* (天亮客服) of Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機網絡信息技術有限公司) from December 2003 to February 2009. Ms. Lu graduated from Beijing University of Posts and Telecommunications* (北京郵電大學) (formerly known as Beijing Institute of Posts and Telecommunications* (北京郵電學院)) with a bachelor degree in compunication in July 1989. In the three years preceding the date of this annual report, Ms. Lu had not been a director of any other listed company.

SENIOR MANAGEMENT

The biography details of Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen have been reflected in the subsection headed "Executive Directors" above.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view towards being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, while focusing on areas such as internal control and risk management, as well as 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 essential 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 year ended 31 December 2016, 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 authority 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management of the Group. 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. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the year ended 31 December 2016, 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.

On 3 June 2016, Ms. Jessie Shen and Mr. Feng Chen were elected as executive Directors of the Company.

Board Diversity Policy

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

Model Code

During the year ended 31 December 2016, 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 year ended 31 December 2016.

Independent Non-executive Directors

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

The Board has three independent non-executive Directors with one of them, Dr. Horn Kee Leong, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development for the year ended 31 December 2016:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Mr. Zongjian Cai	√	√	√	√
Mr. Yuan Xu	√	√	√	√
Mr. Hong Zhang	√	√	√	√
Ms. Jessie Shen	√	√	√	√
Mr. Feng Chen	√	√	√	√
Non-executive Director				
Mr. Yuan Chi	√	√	√	√
Independent non-executive Directors				
Dr. Horn Kee Leong	√	√	√	√
Mr. Dajian Yu	√	√	√	√
Ms. Zhao Lu	√	√	√	√

Directors' and Officers' Insurance

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

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. During the year ended 31 December 2016, the Board has held 6 meetings of the Board and 1 general meeting.

The individual attendance record of each Director at the meetings of the Board and the general meeting of the Company during the year ended 31 December 2016 is set out below:

Name of Director	Attendance/ Number of Board Meeting(s) eligible to attend	Attendance/ Number of General Meeting eligible to attend
Executive Directors		
Mr. Zongjian Cai *(Chairman and Chief Executive Officer)*	6/6	1/1
Mr. Yuan Xu	6/6	1/1
Mr. Hong Zhang	6/6	1/1
Ms. Jessie Shen *(elected on 3 June 2016)*	4/4	0/0
Mr. Feng Chen *(elected on 3 June 2016)*	4/4	0/0
Non-executive Director		
Mr. Yuan Chi	6/6	1/1
Independent non-executive Directors		
Dr. Horn Kee Leong	6/6	1/1
Mr. Dajian Yu	6/6	1/1
Ms. Zhao Lu	6/6	1/1

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

Appointments, Re-election and Removal of Directors

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

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

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

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Board Committees

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

Audit Committee

The Board has established an audit committee on 5 December 2008. The audit committee has adopted an amended terms of reference on 6 November 2015 with reference to the changes relating to risk management in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, 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 reviewed the Group's audited annual results for the year ended 31 December 2015 and the Group's unaudited interim results for the six months ended 30 June 2016, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditor. In addition, the audit committee reviewed the risk management and internal control systems of the Group during the year ended 31 December 2016. During the year, the audit committee also held a meeting with the external auditor without the presence of any members of management of the Company.

During the year ended 31 December 2016, two meetings were held by the audit committee. The individual attendance record of each member of the audit committee at the meetings of the audit committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s) eligible to attend
Dr. Horn Kee Leong	2/2
Mr. Dajian Yu	2/2
Ms. Zhao Lu	2/2

Remuneration Committee

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

For the year ended 31 December 2016, the remuneration committee surveyed peer companies' remuneration packages and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed granting of share options under the Share Option Scheme and Tapcash Subsidiary Share Option Scheme and granting of awarded shares under the Share Award Scheme and benefit plans to key employees.

For the year ended 31 December 2016, four meetings were held by the remuneration committee. The individual attendance record of each member of the remuneration committee at the meetings of the remuneration committee is set out below:

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

Nomination Committee

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

The nomination committee reviewed the structure, size and composition of the Board during the year of 2016.

The nomination committee reviewed the nomination of candidates for directorship and made recommendations to the Board on terms of such appointment.

During the year ended 31 December 2016, one meeting was held by the nomination committee. The individual attendance record of each member of the nomination committee at the meeting of the nomination committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting eligible to attend
Dr. Horn Kee Leong	1/1
Mr. Dajian Yu	1/1
Ms. Zhao Lu	1/1
Mr. Zongjian Cai	1/1

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with the Listing Rules, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report. During the year ended 31 December 2016, the Board reviewed and determined the policy for the corporate governance of the Company.

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong. Ms. Yin Ping Yvonne Kwong, vice president of SW Corporate Services Group Limited, an external service provider, has been engaged by the Company as its company secretary to act jointly with Ms. Jessie Shen (appointed on 9 July 2013). The primary contact person at the Company is Ms. Jessie Shen. Please refer to the paragraph headed "Procedures by which enquiries may be put to the Board" in this section for contact details. The biographical details of Ms. Jessie Shen are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Both Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong have informed the Company that their trainings taken during the year ended 31 December 2016 covering corporate governance and accounting matters satisfy the requirements under Rule 3.29 of the Listing Rules. The Company considers that the training of each of joint company secretaries taken during the year ended 31 December 2016 is in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

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

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

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

Auditor's Remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor. The Company engages Ernst & Young as its external auditor. Details of the fees paid/payable to Ernst & Young during the year ended 31 December 2016 are as follows.

	USD'000
Audit services	497
Non-audit services	204
	701

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risk the Company is willing to take to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board has developed its internal control and risk management systems, which include but not limited to the following processes:

- The Board receives regular updates from the senior management and reviews the Group's business plan, financial results, investment strategies and business indicators to ensure that the business risks are identified and managed;

- The senior management supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risks;

- The Group monitors a wide range of indicators, such as game statistics, player feedbacks and employee turnover rate, and responds promptly if any risk indicators arise;
- The Group works with external legal, accounting, tax, and other professional advisors at various jurisdictions to ensure that it is in compliance with relevant legislation and regulations; and
- The internal audit department performs independent review on the internal control system and operational activities, and presents its findings to the Board on a regular basis.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for overseeing the management in the design, implementation and monitoring of such systems, and reviewing and maintaining appropriate and effective risk management and internal control systems. During the year ended 31 December 2016, the Board has conducted quarterly reviews of the risk management and internal control systems of the Group and considered the risk management and internal control systems of the Group have been implemented effectively and are adequate. Such reviews covered financial, compliance and operational controls. The Board has also discussed the business risk, financial risk, compliance risk, operational risk and other risks.

In addition, the Board has reviewed and considered that the resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions are adequate and effective and have complied with the provisions of the Corporate Governance Code during the year ended 31 December 2016.

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies are put in place to ensure that inside information is adequately controlled. To ensure the confidentiality and the timely disclosure of inside information, all employees are provided with learning materials and guidelines regarding the handling and dissemination of inside information on a yearly basis. IT system controls are implemented to ensure the access to sensitive data is restricted to authorized personnel only.

SHAREHOLDERS' RIGHTS

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

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

Procedures by which enquiries may be put to the Board

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

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

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

Constitutional Documents

There has been no change in the Company's constitutional documents for the year ended 31 December 2016.

Communications with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website www.igg.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategies, operations, management and plans. Members of the Board will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue. The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Remuneration of Senior Management

Senior management during the year comprises five executive directors. Details of the senior management's emoluments are set out in note 9(1)(b) to the consolidated financial statements in this report.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group endeavors to pursue long-term and sustainable development. While developing its strategic goals and operational objectives, matters concerning the environment and the society at large are of great importance. The Group fully embraces its environmental and social duties, and integrates responsible practices into its daily business operations.

The purpose of this Corporate Social Responsibility Report (the "Report") is to provide information on environmental and social responsibilities related to the Group, in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REPORTING PERIOD AND SCOPE

The reporting scope covers all fully consolidated subsidiaries for the period between 1 January 2016 and 31 December 2016, unless otherwise indicated.

STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Group's key stakeholders consist of its customers, shareholders, employees, suppliers, governing authorities, and the local communities. The Group maintains communication with its stakeholders to understand their expectations. When determining materiality in relation to matters to be included in this Report, stakeholders' expectations and objectives are considered and incorporated with the guidelines set out in the ESG Reporting Guide.

ENVIRONMENTAL

Environmental impact

The Group's activities of production and operation of mobile games do not present any significant negative impacts on the environment and natural resources. Nevertheless, the Group is committed to operate in an environmentally responsible manner and has introduced various environment-friendly policies and measures.

Emission

Being an office-based company, air pollutants directly emitted from the Group's operation are negligible. Major sources of greenhouse gas emissions are almost all associated with electricity.

Regarding waste management, the Group does not produce any waste that is classified as hazardous. Major categories of non-hazardous waste are paper, IT equipment and electronic consumables.

Non-hazardous waste

Paper, IT equipment and electronic consumables are identified as the major categories of non-hazardous waste, which includes items such as computers, mobile devices, batteries, and cartridges.

The following practices are communicated to employees to reduce wastage and encourage recycling:

– Enterprise information portal is implemented to facilitate electronic communication and documentation.
– Printers' default setting is configured to print on both sides.
– IT equipment that has reached the end of its useful life is donated to charities, sold in internal sales, or disposed via external disposal service providers.
– Recycling facilities and collection points were set up for recycling and sorting waste.

Use of resources

The Group values and encourages the efficient use of resources.

Energy

The Group considers electricity to be its only significant energy source. All the Group's offices actively seek to raise awareness among employees to save energy in their day-to-day life.

The following are some examples of favored practices published on the intranet to encourage employees to save energy:

– Switching off unnecessary electronic equipment and devices
– Using the stairs wherever possible to save energy
– Using more energy-efficient electrical appliances and office equipment
– Turning lighting off if it is not needed during lunch time and after work

Water

Water consumption within the Group is limited to office uses. To save water, our offices put in place various measures such as the use of ecological toilets and putting up water-saving posters.

CORPORATE SOCIAL RESPONSIBILITY REPORT

SOCIAL – EMPLOYMENT AND LABOR REGULATIONS

Employment

The Group recognizes that the success of its business is dependent on all staff at every level. It is the team's talent and passion that forms the foundation for the Group to be a leading global developer and publisher of games, and drives the business forward. The Group aims to promote a work environment where everyone feels valued and supported, and is committed to providing the resources to develop its teams' skills and expertise.

Career opportunities and retention

The Group actively supports the professional development of its employees by offering them numerous career opportunities, and offers appealing prospects to retain its existing talents.

Compensation

The Group has an appealing compensation policy to attract and retain employees in various countries and regions. The compensation provided to employees is reviewed every year, factoring in local market conditions, applicable legislation, and level of performance. Stock-based long term incentive such as awarded shares, share options, and profit sharing bonus are available to key employees, to recognize the accomplishments of specific teams and individuals.

Diversity in the workplace

The Group has offices in 10 countries and employees from different cultures and nationalities. Cultural diversity and gender mix help teams to improve their understanding of players' expectations and to respond to players' needs throughout the world. There is zero tolerance towards discrimination whether it relates to gender, nationality, disability or any other discrimination where an individual may feel marginalized.

The Group has reserved positions set aside for individuals with disabilities, and provides additional allowance to them and to employees with disabled immediate family members.

Welfare

The Group contributes to social security schemes according to the requirements of the various jurisdictions where it operates, such as pensions and housing funds.

In addition, all offices have a generous budget for welfare programs, including but not limited to:

– Team building trips
– Activities for sports and interest clubs
– Family events and childcare facilities
– Holiday and birthday parties

Health and safety

As the health and safety of employees is of primary importance, the Group offers a number of wellness resources and benefits.

Working environment

The Group is committed to maintaining a friendly and pleasant working environment in all of its subsidiaries, with a wide range of spaces and facilities, such as pantries and staff lounges, catering to the needs of each individual. Routine safety audits, risk assessments, and facility checks were conducted to ensure a safe and healthy work space.

Health and well-being

The Group offers a wide array of programs and initiatives to encourage people to stay healthy. These include:

– Medical insurance
– Fully subsidized annual health screenings
– Wellness talks conducted by health professionals
– Ergonomic office furniture to prevent injuries caused by sedentary work and prolonged sitting
– Fitness center/gym membership
– Activity groups/sports clubs

Development and training

As the gaming sector is constantly evolving, the growth of the Group rests in continuous innovation and strong R&D capability. The Group fully supports its employees to stay on top of technological advances. Apart from the development teams, employees from operation, IT and other supporting functions are all entitled to training opportunities to develop their professional expertise.

Skills are generally acquired and shared through internal coaching and exchanges, as well as external trainings. Training opportunities, ranging from workshops for technical expertise, to language and soft skills courses, are available to employees at all levels. Intercultural exchange of ideas is encouraged via collaboration with teams from different countries.

Labor standards

The Group is committed to adhere to all applicable labor standards in the jurisdictions where its operations are located. Considering the nature of the gaming sector, the Group has very low risk of child and forced labor.

SOCIAL – OPERATING PRACTICES

Supply chain management

The Group's suppliers primarily include outsourced developers, mobile software distribution platforms, advertising service providers, and payment service providers. Standards for ethics, labour rights, safety, and the environmental impact are included in the basis for consideration when choosing suppliers.

Product responsibility

Player experience and player relations

The customers of the Group primarily consist of hundreds of millions of individual players. Players form the foundation of our business, and the Group strives to evolve and improve to provide players with the best gaming experience.

In terms of player relations, various channels have been established to facilitate effective communication with players, such as customer service support via live in-game chat or e-mail. The Group is also present on social networks, online forums and discussion boards in many languages, to reach out to players all over the world and receive their feedback.

Privacy and data security

Customers' privacy is taken seriously at IGG. The Privacy Policy published on IGG's website provides information regarding the Group's position and measures to foster transparency and accountability in the collection, use and disclosure of user information.

Risks affecting data security such as security breach and hacking are carefully assessed and addressed with technical and organizational measures.

Anti-corruption

The Group is committed to establishing an ethical business culture and maintaining a reputation of honesty and integrity. An internal anti-corruption policy was drawn up to protect the Group from bribery, fraud and corruption. Internal campaigns regarding business ethics and codes of conduct were conducted to provide employees with guidelines and illustrated situations that may give rise to conflicts of interest and unethical behaviors. Employees can report suspected compliance or ethics violations to the Audit Committee and the Internal Audit Department via direct hotline or e-mail.

Community investment

Believing that it has a responsibility to contribute towards the local community and society at large, the Group has made a positive social impact through the employment it creates, the payment of various taxes, and its participation in activities with local communities, as well as its donations to a number of charities.

Our employees actively take part in charity activities and donations, most notably in cases such as paying regular visits to the elderly in nursing homes, and donating clothing and household items to the needy.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2016, the Group is not aware of any non-compliance with all environmental standards, rules and regulations in the jurisdictions where it operates, and to the best of its knowledge, the Group strictly abides by all the regulations regarding employment, health and safety, labor standards, product responsibility, taxation and anti-corruption. Nevertheless, the Group will remain alert to any regulatory changes and comply with such regulations.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is a renowned global mobile games developer and operator with headquarters in Singapore and regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, Korea, Thailand, Belarus and the Philippines. There has been no significant change in the Group's principal activities during the year of 2016.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2016 are set out in note 1 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 177 to 178 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the audited consolidated statement of comprehensive income.

On 25 March 2016, the Board resolved to declare a second interim dividend of HK2.8 cents per ordinary Share (equivalent to US0.4 cents per ordinary Share), amounting to approximately US$4.9 million and a special dividend of HK14.2 cents per ordinary Share (equivalent to US1.8 cents per ordinary Share), amounting to approximately US$25.1 million. Such dividend has been paid on 29 April 2016.

On 26 August 2016, the Board resolved to declare a first interim dividend of HK4.3 cents per ordinary Share (equivalent to US0.6 cents per ordinary Share), amounting to approximately US$7.5 million. Such dividend has been paid on 27 September 2016.

On 22 March 2017, the Board resolved to declare a second interim dividend of HK8.0 cents per ordinary Share (equivalent to US1.0 cent per ordinary Share), amounting to approximately US$14.0 million and a special dividend of HK5.4 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share), amounting to approximately US$9.3 million. Such dividend will be paid on or about 25 April 2017.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled on 27 June 2017. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 21 June 2017 to Tuesday, 27 June 2017 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 20 June 2017.

RESERVES

Details of movements in reserves of the Group and the Company for the year ended 31 December 2016 are set out in the consolidated statement of changes in equity, note 28 and note 38 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately US$222.3 million. The amount of approximately US$222.3 million represents the Company's share premium account of approximately US$160.6 million and accumulated retained profits of approximately US$61.7 million in aggregate as at 31 December 2016, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of approximately US$114,000 in total.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2016 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 26 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors during the financial year and as of the date of this annual report were:

Executive Directors
Mr. Zongjian Cai *(Chairman, Chief Executive Officer and Authorised Representative)*
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

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 15 to 19 of this annual report.

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

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

As at 31 December 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	258,114,657 *(Notes 1, 2, 3)*	19.12%	14,750,000 *(Notes 2, 3, 4)*	1.09%
Mr. Yuan Xu	Beneficial owner, interest held jointly with another person	258,114,657 *(Notes 2, 3, 5)*	19.12%	14,750,000 *(Notes 2, 3, 4)*	1.09%
Mr. Hong Zhang	Beneficial owner, interest held jointly with another person	258,114,657 *(Notes 2, 3, 6)*	19.12%	14,750,000 *(Notes 2, 3,4)*	1.09%
Ms. Jessie Shen (elected as an executive Director on 3 June 2016)	Beneficial owner	5,970,000 *(Note 8)*	0.44%	508,000 *(Note 8)*	0.04%
Mr. Feng Chen (elected as an executive Director on 3 June 2016)	Beneficial owner	14,240,000 *(Note 9)*	1.05%	300,000 *(Note 9)*	0.02%
Mr. Yuan Chi	Interest in a controlled corporation	158,080,000 *(Notes 2, 3, 7)*	11.71%	486,000 *(Note 4)*	0.04%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding	Number of underlying Shares	Approximate percentage of shareholding
Dr. Horn Kee Leong	Beneficial owner	—	—	250,000 *(Note 10)*	0.02%
Ms. Zhao Lu	Beneficial owner	—	—	250,000 *(Note 11)*	0.02%
Mr. Dajian Yu	Beneficial owner	400,000	0.03%	250,000 *(Note 12)*	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, who is the spouse of Mr. Zongjian Cai, under the SFO.

(2) 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 (the "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. On 18 October 2016, the parties to the Act in Concert Agreement entered into an amendment(the "Amendment") to the Act in Concert Agreement, pursuant to which Mr. Yuan Chi and Edmond Online ceased to be members of the Concert Group and the arrangement under the Act in Concert Agreement to jointly control the exercise of the voting rights would not continue to bind Mr. Yuan Chi and Edmond Online since the date of the Amendment. Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen together formed the New Concert Group, and hereafter act in concert with each other to exercise their voting rights on the material matters that 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.

(3) As disclosed in the announcement of the Company dated 25 October 2016, the Amendment to the Act in Concert Agreement is not a conclusive evidence that Mr. Yuan Chi and Edmond Online are no longer parties acting in concert with Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen, and unless there is clear and stronger evidence to be presented, Mr. Yuan Chi and Edmond Online on the one hand and Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen on the other hand, may still be considered parties acting in concert.

(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.

(6) Mr. Hong Zhang is the beneficial owner of 11,381,040 Shares.

(7) 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.

(8) Ms. Jessie Shen is the beneficial owner of 5,970,000 Shares and is 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.

(9) Mr. Feng Chen is interested in an aggregate of 14,240,000 Shares and is 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.

(10) 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.

(11) 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.

(12) Mr. Dajian Yu is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

Save as disclosed above, as of 31 December 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 31 December 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	258,114,657 *(Notes 1, 3, 4)*	19.12%	14,750,000 *(Notes 1, 3, 4)*	1.09%
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	258,114,657 *(Notes 1, 3, 4)*	19.12%	14,750,000 *(Notes 1, 3, 4)*	1.09%
Mr. Yuan Xu	Beneficial owner, interests held jointly with another person	258,114,657 *(Notes 1, 3, 4)*	19.12%	14,750,000 *(Notes 1, 3, 4)*	1.09%
Mr. Hong Zhang	Beneficial owner, interests held jointly with another person	258,114,657 *(Notes 1, 3, 4)*	19.12%	14,750,000 *(Notes 1, 3, 4)*	1.09%
Ms. Kai Chen	Beneficial owner, interests held jointly with another person	258,114,657 *(Notes 1, 3, 4)*	19.12%	14,750,000 *(Notes 1, 3, 4)*	1.09%
Mr. Zhixiang Chen	Beneficial owner, interests held jointly with another person	258,114,657 *(Notes 1, 3, 4)*	19.12%	14,750,000 *(Notes 1, 3, 4)*	1.09%
Edmond Online	Beneficial owner	158,080,000 *(Notes 2, 3, 4)*	11.71%	486,000 *(Notes 2, 3, 4)*	0.04%
Mr. Yuan Chi	Interest in a controlled corporation	158,080,000 *(Notes 2, 3, 4)*	11.71%	486,000 *(Notes 2, 3, 4)*	0.04%

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, who is the spouse of Mr. Zongjian Cai, under the SFO. 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 Xu is the beneficial owner of 27,417,638 Shares and is deemed to be interested in the 4,000,000 shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme. Mr. Yuan Xu is also 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 the beneficial owner of 11,381,040 Shares and is 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. Mr. Hong Zhang is also 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.

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.

Mr. Zhixiang Chen is the beneficial owner of 19,200,000 Shares.

(2) Mr. Yuan Chi is the beneficial owner of 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. Mr. Yuan Chi is also 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.

(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 the 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. On 18 October 2016, the parties to the Act in Concert Agreement entered into the Amendment to the Act in Concert Agreement, pursuant to which Mr. Yuan Chi and Edmond Online ceased to be members of the Concert Group and the arrangement under the Act in Concert Agreement to jointly control the exercise of the voting rights would not continue to bind Mr. Yuan Chi and Edmond Online since the date of the Amendment. Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen together formed the New Concert Group, and hereafter act in concert with each other to exercise their voting rights on the material matters that 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) As disclosed in the announcement of the Company dated 25 October 2016, the Amendment to the Act in Concert Agreement is not a conclusive evidence that Mr. Yuan Chi and Edmond Online are no longer parties acting in concert with Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen, and unless there is clear and stronger evidence to be presented, Mr. Yuan Chi and Edmond Online on the one hand and Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen on the other hand, may still be considered parties acting in concert.

Save as disclosed above, as at 31 December 2016, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by written resolutions of all the Shareholders. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 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 3 members of the senior management and 7 connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. The Company should not and did 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 were 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 set forth the exercise price of the share options granted on respective dates:

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

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2016 by category of grantees were as follows:

	Number of Pre-IPO share options			
Category of grantees	**Outstanding as at 31 December 2015**	**Exercised during the year**	**Lapsed/ forfeited during the year**	**Outstanding as at 31 December 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 were granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	4,443,000	1,756,000	—	2,687,000
Other grantees (total 207 grantees)	26,628,500	7,431,088	190,000	19,007,412
Total	**46,681,500**	**9,617,088**	**190,000**(Note 1)	**36,874,412**

Note:

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

Save as disclosed above, no share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the year ended 31 December 2016.

DIRECTORS' REPORT

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, representing approximately 9.69% of the issued shares as at the date of this annual report. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

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

(a) the nominal value of a Share;

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

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

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

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the year ended 31 December 2016 by category of grantees were as follows:

			Number of share options					
Category of grantees	**Date of grant**	**Exercise price per Share**	**Outstanding as at 31 December 2015**	**Granted during the year**	**Exercised during the year**	**Lapsed/ forfeited during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2016**
Other employees and eligible persons	11 August 2014	HK$5.47	360,000	—	—	5,000	—	355,000
Director								
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	—	125,000	225,000	—	450,000
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
Directors' respective associates								
Ms. Meijia Chen (a cousin of Mr. Yuan Xu)	23 March 2015	HK$3.90	553,000	—	—	—	—	553,000

			Number of share options					
Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2015	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Cancelled during the year	Outstanding as at 31 December 2016
Other employees and eligible persons	23 March 2015	HK$3.90	2,559,000	—	12,500	—	—	2,546,500
Other employees and eligible persons	10 September 2015	HK$2.94	100,000	—	—	—	—	100,000
Total			7,966,000	—	137,500	230,000	—	7,598,500

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

Share options granted on 23 March 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.

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 Mr. Kee Lock Chua, a non-executive Director during 2015, who resigned on 4 August 2015 and Mr. Xiaojun Li, a non-executive Director during 2015, who resigned on 31 December 2015, while excluding Mr. Yuan Chi who was an executive Director during 2015 but was subsequently re-designated 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 Date	**Percentage of Shares Options to Vest**
10 September 2016	25% of the total number of share options granted
10 September 2017	25% of the total number of share options granted
10 September 2018	25% of the total number of share options granted
10 September 2019	25% of the total number of share options granted

Save as disclosed above, during the year ended 31 December 2016, 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 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 announcement dated 24 December 2013.

During the year ended 31 December 2016, the Company granted the awarded shares as followings:

8 April 2016

On 8 April 2016, the Board (including all independent non-executive Directors) based on the recommendation of the remuneration committee, 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) based on the recommendation of the remuneration committee, 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

30 August 2016

On 30 August 2016, the Board (including all independent non-executive Directors) based on the recommendation of the remuneration committee, resolved to grant a total of 3,054,801 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 3,054,801 awarded shares granted to the selected grantees represents approximately 0.23% 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 30 August 2017	25% of the total number of awarded shares granted
On 30 August 2018	25% of the total number of awarded shares granted
On 30 August 2019	25% of the total number of awarded shares granted
On 30 August 2020	25% of the total number of awarded shares granted

18 November 2016

On 18 November 2016, the Board (including all independent non-executive Directors) based on the recommendation of the remuneration committee, resolved to grant a total of 1,193,485 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 1,193,485 awarded shares granted to the selected grantees represents approximately 0.09% 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 18 November 2017	25% of the total number of awarded shares granted
On 18 November 2018	25% of the total number of awarded shares granted
On 18 November 2019	25% of the total number of awarded shares granted
On 18 November 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 year ended 31 December 2016 are as followings:

Date of grant	Outstanding as at 31 December 2015	Grant during the year	Exercised during the year	Lapsed during the year	Balance as at 31 December 2016
25 March 2014	1,050,750	—	350,250	—	700,500
11 August 2014	641,295	—	200,808	38,841	401,646
21 November 2014	198,975	—	58,025	24,900	116,050
23 March 2015	2,776,911	—	680,473	183,750	1,912,688
10 September 2015	925,000	—	213,000	88,000	624,000
8 April 2016	—	595,476	—	14,745	580,731
3 June 2016	—	987,737	—	120,000	867,737
30 August 2016	—	3,054,801	—	40,000	3,014,801
18 November 2016	—	1,193,485	—	—	1,193,485
Total	**5,592,931**	**5,831,499**	**1,502,556**	**510,236**	**9,411,638**

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

Save as disclosed above, during the year ended 31 December 2016, 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 optimise 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, representing 10% of the total issued share capital of Tapcash Cayman as at the date of this annual report.

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 Tapcach Cayman 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.

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 Share, 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. Share options granted on 8 April 2016 under the Tapcash Subsidiary Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant:

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

30 August 2016

On 30 August 2016, the board of directors of Tapcash Cayman resolved to grant a total of 775,000 Tapcash Share Options to subscribe for 775,000 Tapcash Cayman Shares at an exercise price of US$0.075 per Tapcash Cayman Share, subject to the acceptances by the grantees of Tapcash Share Options. Among the grantees, except that 120,000 Tapcash Share Options were granted to Ms. Meijia Chen (cousin of Mr. Yuan Xu, an executive Director), 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 30 August 2016 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 30 August 2017	25% of the total number of share options granted
On 30 August 2018	25% of the total number of share options granted
On 30 August 2019	25% of the total number of share options granted
On 30 August 2020	25% of the total number of share options granted

Particulars and movements of share options under the Tapcash Subsidiary Share Option Scheme during the year ended 31 December 2016 by category of grantees were as follows:

		Number of share options			
Date of grant	Exercise price	Outstanding as at 31 December 2015	Granted during the year	Lapsed/ forfeited during the year	Outstanding as at 31 December 2016
10 September 2015	US$0.06	1,460,000	—	92,000	1,368,000
8 April 2016	US$0.075	—	160,000	120,000	40,000
30 August 2016	US$0.075	—	775,000	50,000	725,000
Total		**1,460,000**	**935,000**	**262,000**	**2,133,000**

Note: The lapse of share options during the year was due to termination of employment of certain grantees.

Save as disclosed above, during the year ended 31 December 2016, 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 year and up until the date of this report, none of the Directors or chief executive of the Company was granted any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme. Under Tapcash Subsidiary Share Option Scheme, except that 120,000 Tapcash Share Options were granted to Ms. Meijia Chen (cousin of Mr. Yuan Xu, an executive Director) on 30 August 2016, none of the grantees is a Director, chief executive or substantial Shareholder of the Company or associate of any of them. 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 year ended 31 December 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

To the best knowledge of the Company, none of the Directors 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 year ended 31 December 2016.

DEED OF NON-COMPETITION

Each of members of the New Concert Group has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the status of compliance and confirmed that the New Concert Group have complied with all the undertakings under the Deed of Non-competition for the year ended 31 December 2016.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2016 or at any time during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme" and "Tapcash Subsidiary Share Option Scheme", during the year ended 31 December 2016, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

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

The Company had bought back the Shares on the Stock Exchange during the year ended 31 December 2016 with details as follows:

Month of Purchase	Number of Shares Purchased	Price per Share Highest Price Paid HK$	Price per Share Lowest Price Paid HK$	Total Paid HK$
January 2016	17,633,000	3.61	3.26	61,321,740
May 2016	13,284,000	3.69	3.33	45,265,630
June 2016	8,806,000	3.81	3.26	30,118,700
July 2016	3,000,000	3.27	3.23	9,772,790
August 2016	2,431,000	3.92	3.82	9,406,420
October 2016	3,830,000	5.67	5.41	21,239,590
November 2016	374,000	5.79	5.74	2,158,970
December 2016	3,264,000	6.00	5.30	19,112,830
Total	**52,622,000**			

All of the Shares bought back were subsequently 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 year ended 31 December 2016. The Board considers that the value of the Shares in the capital market was undervalued. The market value of which was far below their intrinsic value, taking into account the Group's sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the share repurchase and subsequent cancellation of the repurchased shares can improve the return to Shareholders.

AUDIT COMMITTEE

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2016 are set out in note 33 to the consolidated financial statements.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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, a limited liability company established under the laws of PRC with registered capital of RMB10.0 million and whose equity interests are owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi. For backgrounds relating to Mr. Zongjian Cai and Mr. Yuan Chi, please refer to the section headed "Biographical details of Directors and Senior Management" in this annual report. The principal business operation of Fuzhou Tianmeng includes (i) designing and developing browser games, client-based games and mobile games; (ii) providing online customer support services to end users in the PRC; (iii) operating and ongoing maintenance of Chinese versions of developed games in the PRC, which includes (a) uploading and maintaining the self-developed games for download and play by players in the PRC; (b) licensing games to third party licensees in the PRC; and (c) co-operating games our Group developed in-house with third party game operators in the PRC; and (iv) Fuzhou Tianmeng holds certain number of intellectual property rights in relation to the operation of our Chinese version of the online games. 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 year:

Number of games operated:

	Developed in-house	Licensed
	As at 31 December 2016	
Fuzhou Tianmeng	1	0

Game revenue*:

	Revenue attributable to the relevant entity	Percentage of the total revenue of the Group
	For the year ended 31 December 2016	
	US$'000	%
Fuzhou Tianmeng	144	0.04

* Game revenue is from external customers.

Assets:

	Total assets attributable to the relevant entity	Percentage of the total assets of the Group
	As at 31 December 2016	
	US$'000	%
Fuzhou Tianmeng	5,090	2.1

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 year ended 31 December 2016.
- 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 auditor to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditor 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 auditor with full access to relevant records for the purpose of the auditor's 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) business 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 foreign-invested 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, all of whom are PRC citizens, reached approximately 30% and in the situation when Mr. Yuan Chi and the others, bound by the act in concert agreement on 16 September 2013, are considered parties acting in concert, they would exert major influence on the Group and 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 Factors – 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 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. 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 Company.

During the year ended 31 December 2016, the Group has implemented measures to ensure compliance with the relevant regulations. The Group will continue to implement 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.

B. Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Structured Contracts (collectively referred to as the "Continuing Connected Transactions") and confirmed that during the year ended 31 December 2016:

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

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

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

C. Confirmation of auditor of the Company

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

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

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

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

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

d. nothing has come to their attention that causes them to believe that dividend or other distribution was made by Fuzhou Tianmeng to its equity holders.

Ernst & Young have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REGISTERED OFFICE IN THE CAYMAN ISLANDS

The registered office address of the Company in the Cayman Islands was changed to P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands with effect from 1 October 2016.

EMPLOYEES

Emolument Policy

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

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

The Company has adopted the Pre-IPO Share Option Scheme, the Share Option Scheme, the Share Award Scheme and the Tapcash Subsidiary Share Option Scheme to motivate and reward Directors and eligible employees. Details of the schemes are set out in the paragraphs headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme" and "Tapcash Subsidiary Share Option Scheme" in this report and note 27 to the consolidated financial statements. None of the directors waived any emoluments during the year ended 31 December 2016.

Pension Scheme

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

Key relationship

Employees are regarded as the most important and valuable assets of the Group. The objectives of the Group's human resource management are to: (i) reward and recognise performing staff by providing a fair, efficient and competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, (ii) build a sense of belongings among employees by offering them a better working environment, and (iii) promote career development and progression through offering on-job training to employees and providing opportunities within the Group for career advancement.

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group primarily consist of hundreds of millions of individual players and licensees of our games. The Group provides customer services for each of its games to cater to the needs of the players. The Group has also adopted various means to strengthen the communication between the players and the Group, including customer service support via live in-game chat, online support or email all year around. The five largest customers of the Group during the year ended 31 December 2016 only accounted for 1.3% of the Group's total revenue.

The Group's suppliers primarily include advertising service providers, payment service providers, licensors of games, and server, data center and bandwidth providers. The Group maintains sound relationships with these suppliers and receives professional and value-added services from them. Most of the key service providers have ongoing business relationship with the Group for years. The largest and five largest suppliers of the Group during the year ended 31 December 2016 accounted for 17.6% and 37.4% of the Group's total purchases respectively.

So far as is known to the Directors, at no time during the year ended 31 December 2016 did a director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital have an interest in any of the Group's five largest customers and suppliers.

BANK LOAN AND OTHER BORROWINGS

The Group did not record any bank loans or other borrowings as at 31 December 2016.

PRE-EMPTIVE RIGHTS

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 as set out in the section headed "Management Discussion and Analysis – Business Review" in this annual report is expressly included in this report and forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions which the Group's subsidiaries operate, and it keeps a close watch on any new laws or regulatory changes.

During the year ended 31 December 2016 and up to the date of this report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

BUSINESS RISKS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the risk management and internal control systems of the Group, which are designed to manage the risk of failure to achieve objectives and provide reasonable assurance against material misstatement or loss. When conducting business activities globally, the Group is exposed to a variety of key risks. Management team of the Group regularly monitors and updates risk profile and exposure and report to Audit Committee regarding the effectiveness of the Group's system of internal control in mitigating risks.

Business Risk

The Group conducts business globally and faces business risks includes reputation risks, investment and acquisition risks, taxation risk and corporate responsibility and sustainability risks. The Board meets regularly and reviews the investment and expansion strategies, business plan, financial results, and key performance indicators of the Group to ensure that the business risks are controlled and managed, and potential risks can be identified.

Financial Risk

The Group has adopted financial risk management policies to control the Group's financial risk exposure, such as taxation risk, currency risk and financial reporting risks. Also, the Board monitors the financial results and key operating statistics with the assistance of the Group's internal financial reporting department on a monthly basis.

Compliance Risk

The Group has adopted internal procedures to monitor the Group's compliance risk to ensure that the Group's compliance with the laws and regulations in regions which the Group conducts business. In addition, the Group from time to time engages consulting firms and professional advisors to keep the Group updated with the latest development in the regulatory environments.

Operational Risk

The Group has adopted procedures to manage its operational risk exposures, such as human resources risks and IT governance risks. The Group monitors the overall employee turnover rate, degree of satisfaction, and IT system status on a monthly basis, and adopts countermeasures if any risk indicators arise.

DIRECTORS' REPORT

ENVIRONMENTAL PROTECTION

The Group is committed to act in an environmentally responsible manner. To encourage sustainable use of resources, the Group has adopted initiatives of reducing energy consumption and recycling consumables such as computer hardware, paper and other consumables.

The Group's business activities do not involve any significant industrial and environmental pollution since the Group is not engaged in any manufacturing activities. Currently, the Group does not foresee any industrial or environmental risk nor any issues for the Group to comply with environmental law or regulations. Nevertheless, the Group will remain alert to regulatory changes in countries where it is present.

IMPORTANT EVENTS SINCE THE YEAR END

No important events occurred for the Group since the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2016 and up to the date hereof.

AUDITOR

The consolidated financial statements set out in this annual report have been audited by Ernst & Young. The Company did not change its auditor over the past three years.

On behalf of the Board
Zongjian Cai
Chairman

Hong Kong, 22 March 2017

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of IGG Inc
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IGG Inc (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 176, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition and computation of deferred revenue	
The Company derived nearly all of its revenues from selling to players Premium Gaming Resource (i.e., virtual items). The income received from sales of Premium Gaming Resource for online games is initially included in deferred revenue and recognised either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. This involved the use of significant management's judgment and estimates as well as complex IT process to calculate the relevant information for revenue recognition. The Company's disclosures about revenue and deferred revenue were included in Note 5 and Note 25 to the consolidated financial statements.	Our procedures included, among others: – We reviewed statements from major payment platforms and other supporting documents such as bank slips, and performed substantive analytical procedures on the monthly cash receipts; – We assessed the IT general controls in relation to IT systems where the game related data was captured to perform the calculation of revenue and deferred revenue in accordance with the Group's accounting policy; – We retested the revenue recognized and deferred revenue in relation to the unutilised Premium Gaming Resource, in accordance with revenue recognition policy adopted and retested the estimated user life of paying players; and – We performed analytical review procedures to consider unusual trends that could indicate material misstatement to revenue recognition. We also performed peer companies bench mark analysis to assess the ratio of deferred revenue to revenue.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Estimates of income tax and indirect tax</td></tr>
<tr><td>Provisions for indirect tax and income tax was significant to our audit because the Company's customers (i.e., paying players) were located in more than 200 countries and regions to where the Group was subject to tax. A number of transfer pricing arrangements were conducted amongst entities within the Group incorporated in different tax jurisdictions and the amounts of indirect tax and income tax were material to the financial statements as a whole. The Company had extensive international operations and in the normal course of business made judgements and estimates in relation to tax issues and exposures resulting in the recognition of tax liabilities.

The Company's disclosures about estimation of income tax and indirect tax were included in Note 5 and Note 11 to the consolidated financial statements.</td><td>Our procedures included, among others:
– We understood and evaluated the Group's process of recording and continuous re-assessment of tax provision in various jurisdictions where its customers were located. We evaluated the extent to which provision adjustments are supported by underlying changes in circumstances;
– We assessed the appropriateness and completeness of provisions recorded in the financial statements for all relevant tax risks, or the rationale for not recording a provision, by using our internal tax specialists to verify the Group's tax filing documents and correspondence with relevant tax authorities;
– We tested the assumptions used to determine tax provisions, taking into consideration our knowledge and experience of the Group's operations; and
– We also considered the adequacy of the Group's disclosures made in relation to current tax provision, indirect tax provisions and tax related contingencies.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Measurement of available-for-sales investments	
The Group had investments in ordinary shares of certain listed and unlisted companies. After considering the Group's investment objectives and intentions, the Group designated the contracts as available-for-sale financial assets measured at fair value with the changes in the fair value recorded in other comprehensive income. After initial recognition, available-for-sale financial investments were subsequently measured at fair value. When the fair value of unlisted equity investments cannot be reliably measured, such investments were stated at cost less any impairment losses. For available-for-sale financial investments, the Group assessed at the end of each reporting period whether there was objective evidence that an investment or a group of investments is impaired. The fair value measurement was a subjective area and the management's assessment process was complex and highly judgmental. As of 31 December 2016, available-for-sale equity investments in listed and unlisted companies amounted to US$968,000 and US$7,150,000, respectively. The Company's disclosures about the available-for-sales investments were included in Note 5 and Note 18 to the consolidated financial statements.	Our audit procedures included, among others: – For listed equity investments, we evaluated the Group's process for re-assessment of objective evidence of impairment. We checked fair market value information for listed equity investments and recalculated if there was significant or prolonged decline in fair value; – For non-listed equity investments, we discussed with management regarding their annual impairment review, whether there were any indicators such as significant change in the performance of the investee, management's expectation on the investee's technical product milestones, and change in market economic environment; – We reviewed management's accounting treatment for initial recognition, subsequent change in fair value, impairment provision as well as disposal; and – We also considered the adequacy of the Group's disclosures made in relation to the available-for-sales investments.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN YUEN TAO.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Revenue	7	**322,087**	202,546
Cost of sales		**(103,184)**	(62,007)
Gross profit		**218,903**	140,539
Other income and gains	7	**1,668**	1,378
Selling and distribution expenses		**(80,102)**	(41,652)
Administrative expenses		**(23,583)**	(21,840)
Research and development costs		**(35,961)**	(26,944)
Other expenses		**(2,575)**	(6,546)
Share of results of an associate and a joint venture		**(1,057)**	—
PROFIT BEFORE TAX	8	**77,293**	44,935
Income tax expense	11	**(5,670)**	(3,687)
PROFIT FOR THE YEAR		**71,623**	41,248
Attributable to:			
Owners of the parent		**72,616**	41,492
Non-controlling interests		**(993)**	(244)
		71,623	41,248
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
(expressed in US$ per share)			
Basic			
– For profit for the year		**US$0.0537**	US$0.0300
Diluted			
– For profit for the year		**US$0.0522**	US$0.0290

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 US$'000	2015 US$'000
PROFIT FOR THE YEAR	**71,623**	41,248
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences related to foreign operations	**(675)**	(922)
Available-for-sale investments:		
Changes in fair value	**(420)**	47
Reclassification adjustments for gain or loss included in the consolidated statement of profit or loss		
– gain on disposal	**—**	67
– impairment loss	**—**	508
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,095)**	(300)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**70,528**	40,948
Attributable to:		
Owners of the parent	**71,521**	41,192
Non-controlling interests	**(993)**	(244)
	70,528	40,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 US$'000	2015 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**7,732**	5,379
Other intangible assets	15	**393**	903
Other non-current assets	16	**2,226**	2,531
Interests in an associate and a joint venture	17	**661**	—
Available-for-sale investments	18	**8,118**	8,215
Deferred tax assets	24	**14**	6
Total non-current assets		**19,144**	17,034
CURRENT ASSETS			
Accounts receivable	19	**1,004**	1,083
Prepayments, deposits and other receivables	20	**6,708**	3,028
Funds receivable		**32,514**	13,478
Cash and cash equivalents	21	**184,061**	185,503
Total current assets		**224,287**	203,092
CURRENT LIABILITIES			
Accounts payable	22	**13,944**	4,586
Other payables and accruals	23	**9,307**	3,511
Tax payable		**4,964**	3,339
Deferred revenue	25	**19,081**	16,982
Total current liabilities		**47,296**	28,418
NET CURRENT ASSETS		**176,991**	174,674
TOTAL ASSETS LESS CURRENT LIABILITIES		**196,135**	191,708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 US$'000	2015 US$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**480**	454
Total non-current liabilities		**480**	454
NET ASSETS		**195,655**	191,254
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**3**	3
Reserves	28	**195,933**	190,521
		195,936	190,524
Non-controlling interests		**(281)**	730
Total equity		**195,655**	191,254

Approved and authorised for issue by the Board of Directors on 22 March 2017

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent												
	Share capital US$'000	Share premium US$'000	Shares held for the Share Award Scheme US$'000	Share-based compensation reserve US$'000	Shares repurchased for cancellation US$'000	Available-for-sale equity investment revaluation reserve (note 18) US$'000	Reserve funds US$'000	Other reserve US$'000	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total equity US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2016	3	186,870*	(5,829)*	5,316*	(1,669)*	(168)*	88*	153*	(1,295)*	7,055*	190,524	730	191,254
Profit for the year	–	–	–	–	–	–	–	–	–	72,616	72,616	(993)	71,623
Other comprehensive income for the year:													
Changes in fair value of available-for-sale equity investments, net of tax	–	–	–	–	–	(420)	–	–	–	–	(420)	–	(420)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	(675)	–	(675)	–	(675)
Total comprehensive income for the year	–	–	–	–	–	(420)	–	–	(675)	72,616	71,521	(993)	70,528
Equity-settled share-based compensation arrangements	–	–	–	2,259	–	–	–	–	–	–	2,259	–	2,259
Acquisition of non-controlling interests	–	(19)	–	–	–	–	–	–	–	–	(19)	(18)	(37)
Equity-settled share-based compensation arrangement of a subsidiary	–	–	–	66	–	–	–	–	–	–	66	–	66
Shares purchased for the Share Award Scheme (note 26)	–	–	(5,994)	–	–	–	–	–	–	–	(5,994)	–	(5,994)
Repurchase of ordinary shares (note 26)	–	–	–	–	(25,574)	–	–	–	–	–	(25,574)	–	(25,574)
Exercise of share options (note 26)	–	863	–	(294)	–	–	–	–	–	–	569	–	569
Vesting of awarded share (note 26)	–	83	882	(965)	–	–	–	–	–	–	–	–	–
Dividend for the Share Award Scheme	–	–	–	–	–	–	–	270	–	–	270	–	270
Cancellation of ordinary shares (note 26)	–	(27,243)	–	–	27,243	–	–	–	–	–	–	–	–
2015 second interim and special dividends paid	–	–	–	–	–	–	–	–	–	(30,158)	(30,158)	–	(30,158)
2016 interim dividend paid	–	–	–	–	–	–	–	–	–	(7,528)	(7,528)	–	(7,528)
At 31 December 2016	3	160,554*	(10,941)*	6,382*	–*	(588)*	88*	423*	(1,970)*	41,985*	195,936	(281)	195,655

* These components of equity comprise the consolidated reserves of US$195,933,000 (2015: US$190,521,000) in the consolidated statement of financial position as at 31 December 2016.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent												
	Share capital	Share premium	Shares held for the Share Award Scheme	Share-based compensation reserve	Shares repurchased for cancellation	Available-for-sale equity investment revaluation reserve (note 18)	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total equity	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2015	3	185,236	(4,300)	3,685	–	(790)	88	8	(373)	3,223	186,780	499	187,279
Profit for the year	–	–	–	–	–	–		–	–	41,492	41,492	(244)	41,248
Other comprehensive income for the year:													
Changes in fair value of available-for-sale equity investments, net of tax	–	–	–	–	–	47	–	–	–	–	47	–	47
Reclassification adjustments for gain and loss included in the consolidated statement of profit or loss	–	–	–	–	–	575	–	–	–	–	575	–	575
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	(922)	–	(922)	–	(922)
Total comprehensive income for the year	–	–	–	–	–	622	–	–	(922)	41,492	41,192	(244)	40,948
Control obtained over an associate	–	–	–	–	–	–	–	–	–	–	–	236	236
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	239	239
Equity-settled share-based compensation arrangements	–	–	–	2,695	–	–	–	–	–	–	2,695	–	2,695
Shares purchased for the Share Award Scheme (note 26)	–	–	(1,999)	–	–	–	–	–	–	–	(1,999)	–	(1,999)
Repurchase of ordinary shares(note 26)	–	–	–	–	(1,669)	–	–	–	–	–	(1,669)	–	(1,669)
Exercise of share options (note 26)	–	1,563	–	(523)	–	–	–	–	–	–	1,040	–	1,040
Vesting of awarded shares (note 26)	–	71	470	(541)	–	–	–	–	–	–	–	–	–
Dividend for the Share Award Scheme	–	–	–	–	–	–	–	145	–	–	145	–	145
2014 second interim dividend paid	–	–	–	–	–	–	–	–	–	(10,213)	(10,213)	–	(10,213)
2014 special dividend paid	–	–	–	–	–	–	–	–	–	(20,247)	(20,247)		(20,247)
2015 interim dividend paid	–	–	–	–	–	–	–	–	–	(7,200)	(7,200)	–	(7,200)
At 31 December 2015	3	186,870	(5,829)	5,316	(1,669)	(168)	88	153	(1,295)	7,055	190,524	730	191,254

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**77,293**	44,935
Adjustments for:			
Interest income	7	**(598)**	(578)
Dividend income from available-for-sale investments	7	**(9)**	(460)
Fair value loss/(gain), net			
– Available-for-sale investments (transfer from equity on disposal)	8	**—**	(67)
Impairment loss on available-for-sale investments	8	**—**	508
Share of results of an associate and a joint venture	8	**1,057**	—
Impairment loss on interest in associates		**—**	4,294
Loss on disposal of items of property, plant and equipment	8	**34**	88
Depreciation	8	**2,245**	1,498
Amortisation of other intangible assets	8	**597**	420
Equity-settled share-based compensation costs	8	**2,325**	2,695
		82,944	53,333
Decrease/(increase) in funds receivable		**(18,499)**	3,411
Decrease in accounts receivable		**79**	1,302
Decrease/(increase) in prepayments, deposits and other receivables		**(3,950)**	466
Increase/(decrease) in accounts payable		**9,358**	(2,986)
Increase in deferred revenue		**1,562**	4,012
Increase/(decrease) in other payables and accruals		**6,057**	(965)
Decrease/(increase) in other non-current assets		**304**	(527)
Cash flows generated from operations		**77,855**	58,046
Interest received		**598**	578
Income tax paid		**(4,027)**	(5,062)
Net cash flows from operating activities		**74,426**	53,562

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**13**	7
Purchases of items of property, plant and equipment	14	**(4,904)**	(4,137)
Purchases of other intangible assets	15	**(91)**	(312)
Purchases of available-for-sale investments		**(3,350)**	(14,100)
Proceeds from disposal of available-for-sale investments		**3,027**	10,563
Dividend received from listed investments		**9**	460
Investment in associates and a joint venture	17	**(1,718)**	(8,529)
Acquisition of non-controlling interests		**(37)**	—
Cash and bank balances acquired from business combination	29	**—**	7,652
Decrease in short term deposits with original maturity of over three months		**—**	54,000
Net cash flows (used in)/generated from investing activities		**(7,051)**	45,604
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**569**	1,185
Dividends declared and paid to then existing shareholders		**(37,686)**	(37,660)
Capital contribution from non-controlling interests		**—**	239
Payments for purchase of ordinary shares		**(31,298)**	(3,668)
Net cash flows used in financing activities		**(68,415)**	(39,904)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,040)**	59,262
Cash and cash equivalents at beginning of year		**185,503**	127,088
Effect of foreign exchange rate changes, net		**(402)**	(847)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**184,061**	185,503

1. CORPORATE AND GROUP INFORMATION

IGG Inc (the "Company") was incorporated in the Cayman Islands on 16 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2013 (the "Listing Date"). The 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 year.

In the opinion of the directors of the Company, as of the date of this report, there were no controlling shareholders for the Company.

Under the prevailing laws and regulations in the People's Republic of China (the "PRC", or Mainland China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), companies with foreign ownership are restricted from operating the online game business in Mainland China. The Group currently is operating its online games business in Mainland China through Fuzhou Tianmeng, a structured entity.

1. CORPORATE AND GROUP INFORMATION (Continued)

Certain structured contracts ("Structured Contracts") were effective among Fuzhou Tianmeng, Fuzhou Tianji, Mr. Zongjian Cai and Mr. Yuan Chi (the "Registered Shareholders") who are the legal shareholders of Fuzhou Tianmeng and also the core founders of the Company. The Structured Contracts for Fuzhou Tianmeng became effective in November 2007.

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

As a result, Fuzhou Tianmeng was accounted for as a subsidiary of the Company.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Skyunion Hong Kong Holdings Limited	Hong Kong 20 February 2006	HK$1,500,000	100	—	Operation and licensing of online games globally
IGG Singapore Pte. Ltd. ("IGG Singapore")	Singapore 30 June 2009	SGD1,500,000	100	—	Research and development of games, operation and licensing of online games globally
Sky Union, LLC ("IGG US")	USA 21 October 2005	US$266,236.86	100	—	Provision of sales and marketing support, server hosting services and cash collection services for the Group
Fuzhou TJ Digital Entertainment Co., Ltd. ("Fuzhou Tianji")*	PRC 15 November 2007	US$8,800,000	—	100	Research and development of games and provision of global customer support services
Fuzhou Skyunion Digital Co., Ltd. ("Fuzhou Tianmeng")**	PRC 12 December 2006	RMB10,000,000	—	100#	Research and development of games and provision of global customer support services
IGG Philippines Corp. ("IGG Philippines")	Philippines 11 January 2013	PHP10,000,000	—	100	Provision of global customer support services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

** Registered as a limited liability company under the law of the PRC.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs", which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Other than explained below regarding the impact of IFRSs and IASs, the adoption of the new and revised standards has had no significant effect on these financial statements.

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to IAS 27 Equity Method in Separate Financial Statements

The IAS 27 Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments are applicable to the Company's financial statements. The statement of financial position of the Company had been restated to comply with the adoption of IAS 27 Amendments. Accordingly, certain comparative amounts in note 38 have been restated to conform with the current year's presentation and disclosures.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRS 9	Financial Instruments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Impairment (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued clarification to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018.

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases - Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) Impairment (Continued)

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are:

Leasehold improvements	The lease terms
Computer equipment	3 years
Office equipment and furniture	3 years
Motor vehicles	5 years

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Royalty fees

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

Trademarks and domain names, software and copyright

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

Research and development costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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

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

Derecognition of financial assets

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

Available-for-sale financial investments

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Derivative financial instruments

Initial recognition and subsequent measurement

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

The fair value of commodity purchase contracts that meet the definition of a derivative as defined in IAS 39 is recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Current versus non-current classification

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

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

Cash and cash equivalents

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

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

Provisions

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

(a) Online game revenue

The Group primarily operates its mobile online games under free to play model. Players can purchase Premium Gaming Resource (i.e. virtual items) to enhance their game-playing experience. Players can pay for Premium Gaming Resource using different payment platforms such as Google Play, Apple App Store, Facebook Payments, credit cards and PayPal. The third-party payment platforms are entitled to the relevant service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group. The payment received to purchase Premium Gaming Resource is non-refundable and the related contracts are non-cancellable. Such payment received is initially included in deferred revenue on the consolidated statement of financial position. Pursuant to the terms of service (the "Terms") between the Group and the paying players published within the game, fee to access the Premium Gaming Resource purchased by the paying players would be expired upon one (1) month concessionary period since the purchase. Therefore the players have no further rights to demand to play and the Group has no further obligation to make such resource available to use after then. Nevertheless, the Group may, in its sole discretion, from time to time make the Premium Gaming Resource available to the paying players. The Group recognises revenue on a gross basis and treats the relevant service fees as cost of sales in the consolidated statement of profit or loss.

The Premium Gaming Resource is considered value-added services and rendered over a pre-specified period or estimated user life. The revenue from the Premium Gaming Resource is recognised either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. Future usage patterns may differ from the historical usage patterns on which the Group's revenue recognition policy is based. The Group monitors the operational statistics and usage patterns of the Premium Gaming Resource. Unused balance of Premium Gaming Resource is recognised as revenue when the specific game has been closed down or the players' account has been inactive for a particular period, whichever is earlier. The Group defines the particular period for which the likelihood that the Group would provide further online game service with respect to the players whose accounts have been inactive is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(b) Joint operation revenue

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

Accordingly, revenue from such arrangement is recognised in the monthly game players made non-refundable payment to the joint operators. The amount of revenue is measured based on the portion to which the Company is entitled and the amount of game players' non-refundable payment made to the joint operators.

(c) Other revenue

Mobile advertising revenue

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

(d) Interest income

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, which are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

Shares held for the Share Award Scheme

As disclosed in note 27 to the financial statements, the Group has set up the Share Award Scheme Trust for the Share Award Scheme, where the Share Award Scheme Trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for the Share Award Scheme" and deducted from the Group's equity.

Other employee benefits

Pension scheme — Mainland China

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

Pension scheme — non-China

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Tax

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

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

Estimates of income tax and sales tax

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Fair value of share-based compensation expenses

As mentioned in note 27, the Group has granted share options and awarded shares to its employees. The directors have used the binominal model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk-free rate, dividend yield, expected volatility and expected life of options, is required to be made by the directors in applying the binomial model.

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Online game revenue recognition

(a) Estimation of the sales value of unutilized Premium Gaming Resource

Online game revenue is recognised based on the actual consumption of the Premium Gaming Resource. Income received in respect of unutilised Premium Gaming Resource is recognised as deferred revenue. As to the amount of deferred revenue in respect of unutilised Premium Gaming Resource, management's estimation is required in determining the average sales value of those unutilised Premium Gaming Resource because the Company is unable to track the sales value of individual unutilised Premium Gaming Resource.

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

(b) Estimation of the user life of paying players

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets

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

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Group assessed at the end of each reporting period whether there was objective evidence that an investment or a group of investments is impaired. For listed equity investments, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. For unlisted equity investments, an impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of these unlisted equity investments that can be reliably estimated. Evidence of impairment may include indications that the investee is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The fair value measurement was a subjective area and management must assess the impairment indicators and estimate the future cash flows of these equity investments.

6. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the development and operation of online games in the international market.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain separate profit or loss information for the development and operation of online games and the directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, no further information about the operating segment is presented.

6. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

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

	2016 US$'000	2015 US$'000
Asia	**105,092**	51,564
Europe	**102,061**	63,464
North America	**99,224**	75,330
Others	**15,710**	12,188
	322,087	202,546

(b) *Non-current assets*

	2016 US$'000	2015 US$'000
PRC	**6,043**	3,873
North America	**1,957**	1,206
Singapore	**186**	143
Others	**207**	157
	8,393	5,379

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

7. REVENUE, OTHER INCOME AND GAINS

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

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

	2016	2015
	US$'000	US$'000
Revenue		
Online game revenue	**317,914**	197,072
Joint operation revenue	**3,692**	3,594
Others	**481**	1,880
	322,087	202,546
Other income and gains		
Dividend income from available-for-sale investments	**9**	460
Government grants*	**918**	258
Bank interest income	**598**	578
Others	**143**	82
	1,668	1,378

* 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.

8. PROFIT BEFORE TAX

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

	Notes	**2016** **US$' 000**	2015 US$' 000
Channel cost		**90,668**	53,711
Royalty fee		**4,975**	1,421
Depreciation	14	**2,245**	1,498
Amortisation of other intangible assets	15	**597**	420
Minimum lease payments under operating leases		**4,524**	6,009
Auditor's remuneration			
– audit service		**497**	500
– non-audit service		**204**	738
		701	1,238
Employee benefit expense (including directors' and chief executive's remuneration, note 9):			
Salaries and wages		**30,268**	25,121
Staff welfare expenses		**2,334**	1,023
Equity-settled share-based compensation costs		**2,325**	2,695
Pension scheme contributions		**1,046**	1,024
Foreign exchange loss		**2,427**	1,504
Fair value loss/(gain), net			
– Available-for-sale investments (transfer from equity on disposal)	18	**—**	(67)
Impairment loss on available-for-sale investments	18	**—**	508
Share of results of an associate and a joint venture	17	**1,057**	—
Impairment loss on interest in associates	17	**—**	4,294
Loss on disposal of items of property, plant and equipment		**34**	88
Bank interest income	7	**(598)**	(578)
Dividend income from available-for-sale investments	7	**(9)**	(460)
Government grants	7	**(918)**	(258)

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(1) Directors and the chief executive

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Fees	**372**	272
Other emoluments:		
Salaries, allowances and benefits in kind	**798**	669
Equity-settled share-based compensation expense	**545**	501
Performance related bonuses*	**1,630**	254
Pension scheme contributions	**26**	38
	2,999	1,462
	3,371	1,734

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

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors and the chief executive (Continued)

(a) Independent non-executive directors

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

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share-based compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2016						
Dr. Horn Kee Leong	40	—	—	35	—	75
Mr. Dajian Yu	20	—	—	35	—	55
Ms. Zhao Lu	20	—	—	35	—	55
	80	—	—	105	—	185

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share-based compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2015						
Dr. Horn Kee Leong	40	—	—	26	—	66
Mr. Dajian Yu	20	—	—	26	—	46
Ms. Zhao Lu	20	—	—	26	—	46
	80	—	—	78	—	158

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors and the chief executive (Continued)

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

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses# US$'000	Equity-settled share-based compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2016						
Executive directors						
Mr. Zongjian Cai*	60	189	460	93	3	805
Mr. Yuan Xu	60	205	411	102	13	791
Mr. Hong Zhang	60	140	406	96	9	711
Ms. Jessie Shen**	40	225	349	33	—	647
Mr. Feng Chen**	12	24	4	42	1	83
	232	783	1,630	366	26	3,037
Non-executive director						
Mr. Yuan Chi****	60	15	—	74	—	149

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors and the chief executive (Continued)

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

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses# US$'000	Equity-settled share-based compensation expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2015						
Executive directors						
Mr. Zongjian Cai*	60	205	22	28	6	321
Mr. Yuan Xu	20	245	129	73	16	483
Mr. Hong Zhang	20	180	101	281	16	598
	100	630	252	382	38	1,402
Non-executive directors						
Mr. Xiaojun Li***	20	—	—	—	—	20
Mr. Kee Lock Chua***	12	—	—	—	—	12
Mr. Yuan Chi****	60	39	2	41	—	142
	92	39	2	41	—	174

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

** Mr. Feng Chen and Ms. Jessie Shen were elected as executive director on 3 June 2016.

*** Mr. Xiaojun Li resigned on 4 August 2015 and Mr. Kee Lock Chua resigned on 31 December 2015.

**** Mr. Yuan Chi was redesignated as a non-executive director on 21 August 2015.

\# Certain executive directors of the Company are entitled to bonus payments which are determined based on a certain percentage of the profit after tax of the Group.

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

9. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(2) Senior management

Senior management includes directors, chief executive, president and other senior executives. Senior management during the year includes five directors (2015: three). The aggregate compensation paid/payable to senior management for employee services excluding the directors and the chief executive whose details have been reflected in note 9 (1) is as follows:

	Group	
	2016	2015
	US$'000	US$'000
Salarіes, allowances and benefits in kind	—	354
Equity-settled share-based compensation expense	—	42
Performance related bonuses*	—	165
Pension scheme contributions	—	4
	—	565

* Certain senior management of the Company are entitled to bonus payments which are determined based on a certain percentage of the profit after tax of the Group.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two directors (2015: four), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three highest paid employees who is neither a director nor chief executive of the Company are as follows:

	2016	2015
	US$'000	US$'000
Salaries, allowances and benefits in kind	**684**	266
Performance related bonuses	**3,107**	159
Equity-settled share-based option expense	**587**	42
Pension scheme contributions	**44**	—
	4,422	467

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

	Number of employees	
	2016	2015
Nil to HK$4,000,000	**—**	1
HK$4,000,001 to HK$4,500,000	**—**	—
HK$4,500,001 to HK$5,000,000	**—**	—
HK$5,000,001 to HK$5,500,000	**—**	—
HK$5,500,001 to HK$6,000,000	**1**	—
HK$6,000,001 to HK$6,500,000	**—**	—
HK$6,500,001 to HK$7,000,000	**1**	—
HK$7,000,001 to HK$7,500,000	**—**	—
HK$7,500,001 to HK$8,000,000	**1**	—
	3	1

During the year and in prior years, share options and awarded shares were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options and awarded shares, which have been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

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

IGG Singapore is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a preferential tax rate of 5% on qualifying income derived during the year ended 31 December 2016 (2015: 5%).

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2015: Nil).

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the year ended 31 December 2016 (2015: 25%) on their respective taxable income. Fuzhou Tianmeng was certified as a Software Enterprise and is entitled to a 50% reduction in taxation for the year ended 31 December 2016. Also, Fuzhou Tianji is entitled to a 50% reduction in taxation effective for the years ended 31 December 2016, 2017 and 2018.

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

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

11. INCOME TAX (Continued)

	2016 US$'000	2015 US$'000
Current year provision:		
Singapore	**5,312**	3,288
US	**112**	93
PRC	**151**	—
Others	**77**	200
Subtotal of current tax	**5,652**	3,581
Deferred tax (note 24):		
PRC	**—**	53
US	**30**	50
Singapore	**(12)**	3
Subtotal of deferred tax	**18**	106
Total tax charge for the year	**5,670**	3,687

11. INCOME TAX (Continued)

During the years ended 31 December 2016 and 2015, IGG Singapore was the headquarters of the Group where it recorded majority of the Group's revenue. A reconciliation of the tax expense applicable to profit before tax at IGG Singapore's statutory tax rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., IGG Singapore's statutory tax rate) to the effective tax rate, are as follows:

	2016		2015	
	US$'000	**%**	US$'000	%
Profit before tax	**77,293**		44,935	
Tax at the applicable tax rate	**13,140**	**17.0**	7,639	17.0
Effect in tax rates for different tax jurisdictions or enacted by local authority	**1,747**	**2.3**	2,920	6.5
Effect of tax holidays applicable to the subsidiaries	**(9,841)**	**(12.7)**	(6,550)	(14.5)
Tax losses not recognised	**1,520**	**1.9**	653	1.5
Tax losses utilised	**(639)**	**(0.8)**	—	—
Income not subject to tax	**(43)**	**(0.1)**	(7)	(0.1)
Expenses not deductible for tax	**304**	**0.4**	63	0.1
Super deduction for qualified spending under productivity and innovation credit and qualified research and development costs	**(518)**	**(0.7)**	(1,031)	(2.3)
Tax charge at the Group's effective rate	**5,670**	**7.3**	3,687	8.2

12. DIVIDENDS

The dividends amounted to HK$292.9 million (2015: HK$292.0 million) were paid during the year ended 31 December 2016.

(a) At the board meeting held on 25 March 2016, the directors declared a second interim dividend of HK2.8 cents per ordinary share for the six months from 1 July to 31 December 2015 and a special dividend of HK14.2 cents per ordinary share, totaling HK$234.5 million which were subsequently paid on 29 April 2016.

(b) At the board meeting held on 26 August 2016, the directors declared an interim dividend of HK4.3 cents per ordinary share for the six months from 1 January to 30 June 2016, totaling HK$58.4 million which was subsequently paid on 27 September 2016.

(c) At the board meeting held on 22 March 2017, the directors declared a second interim dividend of HK8.0 cents per ordinary share for the six months from 1 July to 31 December 2016 and a special dividend of HK5.4 cents per ordinary share, totaling approximately HK$180.3 million.

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

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

The calculation of diluted earnings per share is based on the profit for the years ended 31 December 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 years ended 31 December 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:

	2016	2015
	US$'000	US$'000
Earnings		
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**72,616**	41,492
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,353,476,645**	1,382,435,492
Effect of dilution – weighted average number of ordinary shares:		
Share options	**34,732,939**	45,807,846
Awarded shares	**2,219,764**	3,020,601
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,390,429,348**	1,431,263,939

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Computer equipment US$'000	Office equipment and furniture US$'000	Motor vehicles US$'000	Total US$'000
2016					
At 31 December 2015 and at 1 January 2016:					
Cost	2,749	8,012	924	530	12,215
Accumulated depreciation	(148)	(6,097)	(387)	(204)	(6,836)
Net carrying amount	2,601	1,915	537	326	5,379
At 1 January 2016, net of accumulated depreciation	2,601	1,915	537	326	5,379
Additions	3,065	1,497	281	61	4,904
Disposals	(1)	(35)	(8)	(3)	(47)
Depreciation provided during the year	(757)	(1,159)	(242)	(87)	(2,245)
Exchange realignment	(158)	(50)	(31)	(20)	(259)
At 31 December 2016, net of accumulated depreciation	4,750	2,168	537	277	7,732
At 31 December 2016:					
Cost	5,813	9,474	1,197	588	17,072
Accumulated depreciation	(1,063)	(7,306)	(660)	(311)	(9,340)
Net carrying amount	4,750	2,168	537	277	7,732

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements US$'000	Computer equipment US$'000	Office equipment and furniture US$'000	Motor vehicles US$'000	Total US$'000
2015					
At 31 December 2014 and at 1 January 2015:					
Cost	150	7,277	296	448	8,171
Accumulated depreciation	(46)	(4,864)	(259)	(106)	(5,275)
Net carrying amount	104	2,413	37	342	2,896
At 1 January 2015, net of accumulated depreciation	104	2,413	37	342	2,896
Additions	2,599	827	629	82	4,137
Acquisition of a subsidiary	—	2	—	—	2
Disposals	—	(94)	(1)	—	(95)
Depreciation provided during the year	(93)	(1,197)	(125)	(83)	(1,498)
Exchange realignment	(9)	(36)	(3)	(15)	(63)
At 31 December 2015, net of accumulated depreciation	2,601	1,915	537	326	5,379
At 31 December 2015:					
Cost	2,749	8,012	924	530	12,215
Accumulated depreciation	(148)	(6,097)	(387)	(204)	(6,836)
Net carrying amount	2,601	1,915	537	326	5,379

15. OTHER INTANGIBLE ASSETS

	Trademarks and domain names US$'000	Software US$'000	Copyright US$'000	Royalty fees US$'000	Total US$'000
2016					
At 1 January 2016, net of accumulated amortisation	**192**	**411**	**8**	**292**	**903**
Additions	**13**	**48**	**30**	**—**	**91**
Amortisation provided during the year	**(130)**	**(272)**	**(16)**	**(179)**	**(597)**
Exchange realignment	**(2)**	**(1)**	**(1)**	**—**	**(4)**
At 31 December 2016	**73**	**186**	**21**	**113**	**393**
At 31 December 2016:					
Cost	**539**	**1,576**	**68**	**928**	**3,111**
Accumulated amortisation	**(466)**	**(1,390)**	**(47)**	**(815)**	**(2,718)**
Net carrying amount	**73**	**186**	**21**	**113**	**393**
2015					
At 1 January 2015, net of accumulated amortisation	237	191	6	471	905
Additions	65	238	9	—	312
Acquisition of a subsidiary	—	118	—	—	118
Amortisation provided during the year	(108)	(126)	(7)	(179)	(420)
Exchange realignment	(2)	(10)	—	—	(12)
At 31 December 2015	192	411	8	292	903
At 31 December 2015:					
Cost	526	1,528	38	928	3,020
Accumulated amortisation	(334)	(1,117)	(30)	(636)	(2,117)
Net carrying amount	192	411	8	292	903

16. OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent housing loans to employees, prepayments for outsourced game development fee and revenue sharing fees for licensing games. And the balance was either expected to be collected or to which the services related were expected to be provided beyond one year.

17. INTERESTS IN AN ASSOCIATE AND A JOINT VENTURE

	2016	2015
	US$'000	US$'000
Investment in an associate and a joint venture		
– Goodwill on acquisition in Nerd Kingdom, Inc.	**—**	603
– Non-redeemable convertible preferred shares	**—**	10,220
– Convertible promissory note	**—**	1,000
– Unlisted shares in Pocket Social Technologies Inc.	**1,718**	—
– Unlisted shares in 199 Digital Co., Ltd.	**29**	29
	1,747	11,852
– Share of results of an associate and a joint venture	**(1,057)**	—
– Transfer to a subsidiary (note 29)	**—**	(7,558)
– Provision for impairment of an interest in Nerd Kingdom, Inc.	**—**	(4,265)
– Provision for impairment of an interest in 199 Digital Co., Ltd.	**(29)**	(29)
	661	—

On 13 November 2015, Nerd Kingdom, Inc. has become a subsidiary of the Group as the Group holds 61.7% of the existing ordinary shares and is entitled to appoint three (3) directors out of five (5) directors in the board. During the year ended 31 December 2015, the provision of impairment of an interest in Nerd Kingdom, Inc. ("NK") was related to the Company's investment in NK before it became a subsidiary of the Group. The recoverable amount of the investment in NK has been determined based on a value-in-use calculation using the Company's share of the present value of the estimated future cash flows expected to be generated by the associate from financial budgets covering a six-year period. The projected cash flows have been updated to reflect the current financial performance of Nerd Kingdom, Inc., and the key assumptions adopted for growth rates and discount rates used in the value-in-use calculations are based on management's best estimates. Growth rates are determined by considering both internal and external factors. The pre-tax discount rate applied to the cash flow projections is 29%. As a result of this analysis, management has recognised an impairment charge of US$4,265,000 during the year ended 31 December 2015. The impairment charge is recorded within other expenses in the statement of profit or loss.

The Group's payable balance with 199 Digital Co., Ltd. is disclosed in note 22 to the financial statements.

17. INTERESTS IN AN ASSOCIATE AND A JOINT VENTURE (Continued)

As at 24 February 2016, IGG Singapore (a wholly-owned subsidiary of the Company) formed a joint venture Pocket Social 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 mainly engaged in development and operation of mobile social networking products. PST is a joint venture, of which 58.0%, 37.0% and 5.0% of equity interests were held by IGG Singapore, Maple Sunrise, and certain independent individuals, respectively. PST was not accounted for and consolidated as a subsidiary of the Group, on the basis that no unilateral control could 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 which affected their returns to PST, and there was not any vote-in-concert arrangement between the Group and other shareholders.

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	2016 **US$'000**	2015 US$'000
Share of the associate and joint venture's loss and total comprehensive loss	**(1,057)**	—
Aggregate carrying amount of the Group's investments in the associate and joint venture	**661**	—

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	US$'000	US$'000
Listed equity investments, at fair value	**968**	4,415
Unlisted equity investments, at cost	**7,150**	3,800
	8,118	8,215

During the year, the fair value change in respect of the Group's available-for-sale investments in certain listed companies providing online game service recognised in other comprehensive income amounted to US$420,000 (2015: US$47,000) of which nil (2015: US$575,000), was reclassified from other comprehensive income to the statement of profit or loss for the year. The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately US$1,817,000.

As at 31 December 2016, certain unlisted equity investments with a carrying amount of US$7,150,000 (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 31 December 2016, the 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.

19. ACCOUNTS RECEIVABLE

	2016 US$'000	2015 US$'000
Accounts receivable	**1,004**	1,083

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

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

	2016 US$'000	2015 US$'000
Within 3 months	**613**	1,083
3 to 6 months	**48**	—
6 months to 1 year	**78**	—
Over 1 year	**265**	—
	1,004	1,083

No provision has been made for impairment of accounts receivable during the year ended 31 December 2016 (2015: Nil).

19. ACCOUNTS RECEIVABLE (Continued)

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

	2016	2015
	US$'000	US$'000
Neither past due nor impaired	**613**	1,083
3 to 6 months past due	**48**	—
6 months to 1 year past due	**78**	—
Over 1 year past due	**265**	—
	1,004	1,083

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	US$'000	US$'000
Prepayments	**3,844**	1,710
Rental deposits	**267**	538
Other receivables	**2,597**	780
	6,708	3,028

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.

21. CASH AND CASH EQUIVALENTS

	2016	2015
	US$'000	US$'000
Cash and bank balances	**184,061**	185,503

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately US$2,041,819 (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 authorised to conduct foreign exchange business.

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

22. 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:

	2016	2015
	US$'000	US$'000
Within 3 months	**12,442**	3,282
3 to 6 months	**785**	965
6 months to 1 year	**480**	242
Over 1 year	**237**	97
	13,944	4,586

The accounts payable are non-interest-bearing and are mainly settled within three months. Included in accounts payable are outstanding balances due to 199 Digital Co., Ltd. for business service of US$71,000 (2015: US$11,000) and Hongbin You for consulting service of US$4,150 (2015: Nil).

23. OTHER PAYABLES AND ACCRUALS

	2016 US$'000	2015 US$'000
Other tax payables	**543**	372
Other payables	**4,181**	824
Provision for chargebacks	**140**	117
Salary and welfare payables	**3,413**	2,151
Other accruals	**1,030**	47
	9,307	3,511

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

24. DEFERRED TAX

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

Deferred tax assets

	Deferred revenue US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
At 1 January 2015	53	4	58	115
Deferred tax (charged)/credited to the statement of profit or loss during the year	(53)	(4)	(52)	(109)
Deferred tax assets at 31 December 2015 and 1 January 2016	—	—	6	6
Deferred tax credited to the statement of profit or loss during the year	—	—	8	8
Deferred tax assets at 31 December 2016	—	—	14	14

24. DEFERRED TAX (Continued)

The Group had tax losses arising in the PRC of approximately US$5,565,000 (2015: US$3,912,000) and in the United States of approximately US$4,232,000. The tax losses arising in the PRC will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

Deferred tax liabilities

	Accelerated depreciation allowance US$'000
At 1 January 2015	457
Deferred tax credited to the statement of profit or loss during the year	(3)
Deferred tax liabilities at 31 December 2015 and 1 January 2016	454
Deferred tax charged to the statement of profit or loss during the year	26
Deferred tax liabilities at 31 December 2016	480

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

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries. In the opinion of the directors, it is not probable that the subsidiaries established in Mainland China will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiaries for which deferred tax liabilities have not been recognised totalled approximately US$2,432,000 at 31 December 2016 (2015: US$1,354,000).

25. DEFERRED REVENUE

Deferred revenue mainly represents service fees prepaid by game players or licensees for online game services to which related services have not been rendered as at the end of the reporting period.

26. SHARE CAPITAL

Shares

	2016 US$'000	2015 US$'000
Issued and fully paid or credited as fully paid: 1,349,900,187 (2015: 1,396,711,599) ordinary shares (par value: US$0.0000025)	**3**	3

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

	Number of shares in issue	Share capital US$'000	Share premium account US$'000	Shares held for the Share Award Scheme US$'000	Shares repurchased for cancellation US$'000
At 1 January 2015	1,370,485,599	3	185,236	(4,300)	—
Share options exercised (note 27)	26,226,000	—	1,563	—	—
Rewarded shares vested (note 27)	—	—	71	470	—
Shares purchased for the Share Award Scheme (note 27)	—	—	—	(1,999)	—
Repurchase of ordinary shares	—	—	—	—	(1,669)
At 31 December 2015	1,396,711,599	3	186,870	(5,829)	(1,669)
At 1 January 2016	**1,396,711,599**	**3**	**186,870**	**(5,829)**	**(1,669)**
Acquisition of non-controlling interests	**—**	**—**	**(19)**	**—**	**—**
Share options exercised (note 27)*	**9,754,588**	**—**	**863**	**—**	**—**
Rewarded shares vested (note 27)	**—**	**—**	**83**	**882**	**—**
Shares purchased for the Share Award Scheme (note 27)	**—**	**—**	**—**	**(5,994)**	**—**
Repurchase of ordinary shares	**—**	**—**	**—**	**—**	**(25,574)**
Cancellation of ordinary shares	**(56,566,000)**	**—**	**(27,243)**	**—**	**27,243**
At 31 December 2016	**1,349,900,187**	**3**	**160,554**	**(10,941)**	**—**

* The 9,754,588 (2015: 26,226,000) ordinary shares of the Company were resulted from the exercise of the 9,617,088 (2015: 26,226,000) share options under the Pre-IPO Share Option Scheme and the 137,500 (2015: Nil) share options under the Post-IPO Share Option Scheme. For more detailed information, please refer to note 27.

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

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

Pre-IPO Share Option Scheme

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

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

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

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

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

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

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

	2016		2015	
	Weighted average exercise price per share US$	**Number of options**	Weighted average exercise price per share US$	Number of options
At 1 January	**0.0599**	**46,681,500**	0.0527	73,674,500
Forfeited during the year	**0.0865**	**(190,000)**	0.0752	(767,000)
Exercised during the year	**0.0516**	**(9,617,088)**	0.0394	(26,226,000)
At 31 December	**0.0619**	**36,874,412**	0.0599	46,681,500

No 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 options will be granted under the Pre-IPO Share Option Scheme.

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding, as at the end of the reporting period are as follows:

2016

Number of options	Exercise price* per share US$	Exercise period
1,460,000	0.0040	01-07-2008 to 30-06-2017
1,341,000	0.0081	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
4,046,000	0.0500	Since IPO to 31-07-2019
9,749,000	0.0525	Since IPO to 20-04-2021
120,000	0.0525	Since IPO to 02-05-2021
100,000	0.0525	Since IPO to 15-05-2021
1,898,000	0.0865	Since IPO to 13-08-2021
1,812,000	0.0865	Since IPO to 14-01-2022
5,233,000	0.0865	Since IPO to 21-05-2022
7,115,412	0.0865	Since IPO to 31-03-2023
36,874,412		

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

2015

Number of options	Exercise price* per share US$	Exercise period
3,235,000	0.0040	01-07-2008 to 30-06-2017
2,241,000	0.0081	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
5,126,000	0.0500	Since IPO to 31-07-2019
20,000	0.0525	Since IPO to 17-04-2021
11,677,000	0.0525	Since IPO to 20-04-2021
30,000	0.0525	Since IPO to 24-04-2021
120,000	0.0525	Since IPO to 02-05-2021
148,000	0.0525	Since IPO to 15-05-2021
280,000	0.0525	Since IPO to 12-06-2021
2,188,000	0.0865	Since IPO to 13-08-2021
2,177,000	0.0865	Since IPO to 14-01-2022
5,970,000	0.0865	Since IPO to 21-05-2022
9,469,500	0.0865	Since IPO to 31-03-2023
46,681,500		

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

No equity-settled share options under the Pre-IPO Share Option Scheme have been granted during the year ended 31 December 2016.

At the end of the reporting period, the Company had 36,874,412 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 36,874,412 additional ordinary shares of the Company and additional share capital of US$92 (before issuance expenses).

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Post-IPO Share Option Scheme

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

Eligible persons of the Post-IPO Share Option Scheme 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 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 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 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.

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Post-IPO Share Option Scheme (Continued)

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

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

The exercise price in respect of any particular option shall be such price as the board of directors may in its absolute discretion determines at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share on the offer date.

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

The following table lists the inputs to the model used for equity-settled share options granted under the Post-IPO Share Option Scheme during the year ended 31 December 2015. In 2016, there is no new share option that has been granted under the Post-IPO Share Option Scheme.

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Post-IPO Share Option Scheme (Continued)

	2015
Dividend yield (%)	2.72-6.53
Expected volatility (%)	47.28-48.91
Risk-free interest rate (%)	1.85-2.28
Forfeiture rate (%)	5-6
Weighted average share price (HK$ per share)	3.44-8.30

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

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

The following share options were outstanding under the Post-IPO Share Option Scheme during the year ended 31 December 2016.

	2016		2015	
	Weighted average exercise price per share HK$	**Number of options**	Weighted average exercise price per share HK$	Number of options
At 1 January	**3.90**	**7,966,000**	6.40	11,674,500
Granted during the year	**—**	**—**	3.72	540,000
Replacement options granted during the year	**—**	**—**	3.90	5,899,000
Cancelled during the year *(note)*	**—**	**—**	6.78	(9,742,500)
Exercised during the year	**3.55**	**(137,500)**	—	—
Forfeited during the year	**3.55**	**(230,000)**	6.33	(405,000)
At 31 December	**5.46**	**7,598,500**	3.90	7,966,000

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Post-IPO Share Option Scheme (Continued)

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

Note: Modification of share option.

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

31 December 2016 **Number of options**	**Exercise price per share** **HK$**	**Exercise period**
355,000	5.47	11-08-2015 to 11-08-2024
817,000	3.51	21-11-2015 to 21-11-2024
4,876,500	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
7,598,500		

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Post-IPO Share Option Scheme (Continued)

31 December 2015

Number of options	Exercise price per share HK$	Exercise period
360,000	5.47	11-08-2015 to 11-08-2024
1,167,000	3.51	21-11-2015 to 21-11-2024
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
7,966,000		

The 9,617,088 (2015: 26,226,000) share options under the Pre-IPO Share Option Scheme and 137,500 (2015: Nil) share options under the Post-IPO Share Option Scheme exercised during the year resulted in the issuance of 9,754,588 (2015: 26,226,000) ordinary shares of the Company and new share premium of US$863,000 (2015: US$1,563,000) (before share issuance expenses), as further detailed in note 26 to the financial statements.

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share Award Scheme

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The awarded shares shall be either (i) allotted and issued by the Company or (ii) acquired by the Computershare Hong Kong Trustees Limited, as the trustee ("Trustee") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board. The vesting period of the awarded shares is determined by the Board. The awarded shares granted shall vest in the grantees in accordance with the schedule as determined by the Board.

Movements in the number of shares held for the Share Award Scheme and awarded shares for the years ended 31 December 2016 and 2015 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2016	4,360,115	5,592,931	9,953,046
Purchased and withheld	9,433,000	—	9,433,000
Granted	(5,831,499)	5,831,499	—
Forfeited	510,236	(510,236)	—
Vested	—	(1,502,556)	(1,502,556)
At 31 December 2016	8,471,852	9,411,638	17,883,490
Vested but not transferred as at 31 December 2016			—

27. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (Continued)

Share Award Scheme (Continued)

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

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

The weighted average fair value of the awarded shares granted during the year ended 31 December 2016 was HK$4.63 per share.

The awarded shares granted during the year ended 31 December 2016 and outstanding as at the year end will vest upon the anniversary of the grant date with each of 25% being vested annually.

Note: detailed in note to "Post-IPO Share Option Scheme".

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 83 and 84 of the financial statements.

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

29. BUSINESS COMBINATION

On 22 December 2014, the Group had acquired an associate, Nerd Kingdom, Inc., from independent third parties, the aggregate fair value of liabilities exceeded that of assets attributable to the interests acquired by the Group. The total consideration paid is US$603,000. The investment costs of Nerd Kingdom, Inc. included goodwill of approximately US$603,000. The Group does not have contractual right to share additional losses. The Group holds 61.7% of ordinary shares of Nerd Kingdom, Inc. and has the right to appoint two directors out of five directors in the board.

On 13 November 2015, pursuant to the amended and restated articles of corporation of Nerd Kingdom, Inc., the Group was entitled to appoint three directors out of five directors in the board. In the opinion of the directors, the investments constituted business combinations achieved in stages, Nerd Kingdom, Inc. was classified as an associate of the Group before 13 November 2015 and has become a subsidiary thereafter. The acquisition was made as part of the Group's strategy to strengthen its research and development of online games and nil consideration was paid.

This is regarded as a business combination achieved in stages. The Group accordingly remeasured its previously held equity interest in Nerd Kingdom, Inc., at the acquisition-date at fair value and recognised the resulting loss of US$4,265,000 in the consolidated statement of profit or loss.

29. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Nerd Kingdom, Inc. as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition US$'000**
Property, plant and equipment	14	2
Other intangible assets	15	118
Accounts receivable		10
Prepayments, deposits and other receivables		12
Cash and bank balances		7,652
Total identifiable net assets at fair value		7,794
Non-controlling interests		236
Goodwill on acquisition		—
Satisfied by investment in an associate	17	7,558

The Group incurred transaction costs of US$47,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Since the acquisition, Nerd Kingdom, Inc. contributed US$4,000 to the Group's revenue and US$239,000 of loss to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue from continuing operations and profit of the Group for the year ended 31 December 2015 would have been US$202,656,000 and US$39,144,000, respectively.

30. CONTINGENT LIABILITIES

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

31. 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:

	2016	2015
	US$'000	US$'000
Within one year	**734**	1,761
In the second to fifth years, inclusive	**6,297**	6,376
After five years	**1,327**	2,932
	8,358	11,069

32. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	US$'000	US$'000
Contracted, but not provided for:		
Leasehold improvements	**167**	837

33. RELATED PARTY TRANSACTIONS

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

	Notes	2016 US$'000	2015 US$'000
Consulting services fee paid to Hongbin You	(i)	**54**	54
Customer and marketing services fee paid to 199 Digital Co., Ltd.	(ii)	**167**	174
Research and development service provided to Pocket Social Technologies Inc ("PST")	(iii)	**350**	—

Notes:

(i) Hongbin You is a company wholly owned by Ms. Hongbin You, who is a sister-in-law of Mr. Hong Zhang, a member of the ultimate substantial shareholders. The consulting services fee is determined based on the amounts agreed by the mutual parties.

(ii) 199 Digital Co., Ltd. is an associate, of whom 49% and 51% of equity interests were held by IGG and WKL Co., Ltd., respectively. The business services fee is determined based on the amounts agreed by the mutual parties.

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

(b) As at the end of the reporting period, the Group had outstanding balances due to 199 Digital Co., Ltd. for business services of US$71,000 (2015: US$11,000) and due to Hongbin You for consulting services of US$4,150 (2015: Nil). The balances with a related party is unsecured, interest-free and payable on demand.

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

	2016 US$'000	2015 US$'000
Short term employee benefits	**2,826**	1,676
Equity-settled share-based compensation expense	**545**	465
	3,371	2,141

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investments (note 18)	—	8,118	8,118
Other non-current assets	416	—	416
Funds receivable	32,514	—	32,514
Accounts receivable (note 19)	1,004	—	1,004
Financial assets included in prepayments, deposits and other receivables	5,278	—	5,278
Cash and cash equivalents (note 21)	184,061	—	184,061
	223,273	8,118	231,391

Financial liabilities	Financial liabilities at amortised cost US$'000
Accounts payable (note 22)	13,944
Financial liabilities included in other payables and accruals	5,665
	19,609

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2015

Financial assets	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investments (note 18)	—	8,215	8,215
Other non-current assets	325	—	325
Funds receivable	13,478	—	13,478
Accounts receivable (note 19)	1,083	—	1,083
Financial assets included in prepayments, deposits and other receivables	2,619	—	2,619
Cash and cash equivalents (note 21)	185,503	—	185,503
	203,008	8,215	211,223

Financial liabilities	Financial liabilities at amortised cost US$'000
Accounts payable (note 22)	4,586
Financial liabilities included in other payables and accruals	2,095
	6,681

35. 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	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Available-for-sale investments - listed equity investments (note 18)	**968**	4,415	**968**	4,415
Other non-current assets	**416**	325	**410**	320
	1,384	4,740	**1,378**	4,735

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, funds receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, and 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.

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2016	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Available-for-sale investments – listed equity instruments (note 18)	**968**	**—**	**—**	**968**

Assets measured at fair value:

As at 31 December 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Available-for-sale investments – listed equity instruments (note 18)	4,415	—	—	4,415

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

Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

Assets for which fair values are disclosed

As at 31 December 2016	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current rental deposits	—	—	410	410

As at 31 December 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Non-current rental deposits	—	—	320	320

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 55.6% (2015: 64.4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales.

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

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

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax US$'000
2016		
If US$ weakens against SGD	**(5%)**	**733**
If US$ strengthens against SGD	**5%**	**(733)**
If US$ weakens against CAD	**(5%)**	**124**
If US$ strengthens against CAD	**5%**	**(124)**
If US$ weakens against RMB	**(5%)**	**(22)**
If US$ strengthens against RMB	**5%**	**22**
If US$ weakens against HKD	**(5%)**	**34**
If US$ strengthens against HKD	**5%**	**(34)**
2015		
If US$ weakens against RMB	(5%)	(128)
If US$ strengthens against RMB	5%	128
If US$ weakens against HKD	(5%)	(391)
If US$ strengthens against HKD	5%	391

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

	2016	
	Within 1 year	**Total**
	US$'000	**US$'000**
Accounts payable (note 22)	**13,944**	**13,944**
Financial liabilities included in other payables and accruals	**5,665**	**5,665**
	19,609	**19,609**

	2015	
	Within 1 year	Total
	US$'000	US$'000
Accounts payable (note 22)	4,586	4,586
Financial liabilities included in other payables and accruals	2,574	2,574
	7,160	7,160

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

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

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

	2016	2015
	US$'000	US$'000
Total current liabilities	**47,296**	28,418
Total non-current liabilities	**480**	454
	47,776	28,872
Total current assets	**224,287**	203,092
Total non-current assets	**19,144**	17,034
	243,431	220,126
Gearing ratio	**19.6%**	13.1%

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company's subsidiary, IGG Singapore is in the process of applying for extension of Development and Expansion Incentive ("Incentive") from the Economic Development Board ("EDB") of Singapore. IGG Singapore expects to obtain such Incentive within 2017, however, the details of preferential treatment offered and prerequisite criteria set under the Incentive are yet to be determined by EDB.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 US$'000	2015 US$'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**89,868**	167,072
Available-for-sale investments	**4,550**	3,837
Total non-current assets	**94,418**	170,909
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2**	91
Due from subsidiaries	**116,369**	31,625
Cash and cash equivalents	**8,884**	8,368
Total current assets	**125,255**	40,084
CURRENT LIABILITIES		
Due to subsidiaries	**71**	78
Other payables and accruals	**1,546**	233
Total current liabilities	**1,617**	311
NET CURRENT ASSETS	**123,638**	39,773
TOTAL ASSETS LESS CURRENT LIABILITIES	**218,056**	210,682
Net assets	**218,056**	210,682
EQUITY		
Issued capital	**3**	3
Reserves (note)	**218,053**	210,679
Total equity	**218,056**	210,682

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Share premium US$'000	Share-based compensation reserve US$'000	Shares held for the Share Award Scheme US$'000	Shares repurchased for cancellation US$'000	Available-for-sale investment revaluation reserve US$'000	Other reserve US$'000	Accumulated deficits/ Retained profits US$'000	Total US$'000
At 31 December 2014 and January 2015 *(Restated)*	185,236	3,685	(4,300)	—	(11)	—	30,526	215,136
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	11	—	—	11
Profit for the year *(Restated)*	—	—	—	—	—	—	32,980	32,980
Total comprehensive income for the year *(Restated)*	—	—	—	—	11	—	32,980	32,991
Exercise of Share Options	1,563	(523)	—	—	—	—	—	1,040
Equity-settled share-based compensation arrangements	—	2,695	—	—	—	—	—	2,695
Shares purchased for the Share Award Scheme	—	—	(1,999)	—	—	—	—	(1,999)
Repurchase of ordinary shares	—	—	—	(1,669)	—	—	—	(1,669)
Vesting of awarded shares	71	(541)	470	—	—	—	—	—
Dividend for the Share Award Scheme	—	—	—	—	—	145	—	145
2014 second interim dividend paid							(10,213)	(10,213)
2014 special dividend paid	—	—	—	—	—	—	(20,247)	(20,247)
2015 interim dividend paid	—	—	—	—	—	—	(7,200)	(7,200)
At 31 December 2015 and 1 January 2016 *(Restated)*	186,870	5,316	(5,829)	(1,669)	—	145	25,846	210,679
Profit for the year	—	—	—	—	—	—	73,549	73,549
Total comprehensive income for the year	—	—	—	—	—	—	73,549	73,549
Equity-settled share-based compensation arrangements	—	2,259	—	—	—	—	—	2,259
Acquisition of non-controlling interests	(19)	—	—	—	—	—	—	(19)
Shares purchased for the Share Award Scheme	—	—	(5,994)	—	—	—	—	(5,994)
Repurchase of ordinary shares	—	—	—	(25,574)	—	—	—	(25,574)
Exercise of share options	863	(294)	—	—	—	—	—	569
Vesting of awarded shares	83	(965)	882	—	—	—	—	—
Dividend for the Share Award Scheme	—	—	—	—	—	270	—	270
Cancellation of ordinary shares	(27,243)	—	—	27,243	—	—	—	—
2015 second interim and special dividends paid	—	—	—	—	—	—	(30,158)	(30,158)
2016 interim dividend paid	—	—	—	—	—	—	(7,528)	(7,528)
At 31 December 2016	160,554	6,316	(10,941)	—	—	415	61,709	218,053

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: (Continued)

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2017.

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2016	2015	2014	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**322,087**	202,546	204,612	87,986	43,154
Cost of sales	**(103,184)**	(62,007)	(58,827)	(22,264)	(10,358)
Gross profit	**218,903**	140,539	145,785	65,722	32,796
Other income and gains	**1,668**	1,378	4,110	592	422
Selling and distribution expenses	**(80,102)**	(41,652)	(43,064)	(23,246)	(12,071)
Administrative expenses	**(23,583)**	(21,840)	(16,672)	(10,855)	(7,093)
Research and development costs	**(35,961)**	(26,944)	(17,202)	(9,333)	(6,331)
Fair value loss of redeemable convertible preferred shares	**—**	—	—	(14,167)	(20,612)
Other expenses	**(2,575)**	(6,546)	(1,342)	(452)	(57)
Share of results of an associate and a joint venture	**(1,057)**	—	—	—	—
PROFIT/(LOSS) BEFORE TAX	**77,293**	44,935	71,615	8,261	(12,946)
Income tax expense	**(5,670)**	(3,687)	(5,223)	(1,313)	(163)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**71,623**	41,248	66,392	6,948	(13,109)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**—**	—	—	—	(326)
PROFIT/(LOSS) FOR THE YEAR	**71,623**	41,248	66,392	6,948	(13,435)
Attributable to:					
Owners of the parent	**72,616**	41,492	66,373	6,948	(13,435)
Non-controlling interests	**(993)**	(244)	19	—	—

FINANCIAL SUMMARY

	As at 31 December				
	2016	2015	2014	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets, Liabilities and Equity					
TOTAL ASSETS	**243,431**	220,126	217,574	151,446	21,526
TOTAL LIABILITIES	**47,776**	28,872	30,295	15,673	77,367
TOTAL EQUITY	**195,655**	191,254	187,279	135,773	(55,841)

DEFINITION

"Act in Concert Agreement"	the agreement dated 16 September 2013 entered into by members of the Concert Group pursuant to which each of them agreed that they would act in concert with each other to exercise their voting rights on material matters relating to the Company's operation
"Amendment"	the amendment to the Act in Concert Agreement dated 18 October 2016 entered into by members of the Concert Group to amend the Act in Concert Agreement
"ARPU"	average revenue per user
"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 of the Company
"Business day"	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" or "PRC"	the People's Republic of China, for the purpose of the annual report, excluding Hong Kong, Macau and Taiwan
"Company" or "IGG"	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
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 15 to the GEM Listing Rules (applicable to the Company prior to the Transfer of Listing) and Appendix 14 to Listing Rules (applicable to the Company immediately after the Transfer of Listing)
"Director(s)"	the director(s) of the Company

DEFINITION

"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
"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
"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
"GEM"	Growth Enterprise Market
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group", "we", "our" or "us"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IGG 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, its subsidiaries or any of their respective associates
"Listing" or "Placing"	the listing of the Shares on the GEM

"Listing Date"	18 October 2013, on which dealings in Shares first commence on the GEM
"Listing Rules"	the Rules Governing the Listing of the Securities on the Stock Exchange
"Main Board"	stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"MAU"	monthly active users
"Model Code"	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013 (applicable to the Company prior to the Transfer of Listing) and Appendix 10 to the Listing Rules (applicable to the Company immediately after the Transfer of Listing)
"Nerd Kingdom"	Nerd Kingdom, Inc., a company incorporated under the laws of the State of Delaware, the United States with limited liability, on 20 May 2010, a subsidiary of the Company
"New Concert Group"	the group of parties acting in concert pursuant to the Amendment entered on 18 October 2016, being Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen
"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 ordinary share(s) of US$0.0000025 each in the share capital of the Company

DEFINITION

"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
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"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 Cayman"	Tap Media Technology Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 November 2014, a subsidiary of the Company
"Tapcash Group"	Tapcash Cayman and its subsidiaries
"Tapcash Cayman Share(s)"	ordinary share(s) of US$0.00025 each in the capital of Tapcash Cayman
"Tapcash Subsidiary Share Option Scheme"	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board on 7 July 2015 pursuant to Chapter 9A of the Listing Rules
"US$" or "USD" and "US Cents"	United States dollars and cents, respectively, the lawful currency of the United States of America
"%"	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.*