



# THIRD QUARTERLY REPORT 2013

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8002

# IGG INC

## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE**

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

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

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

## HIGHLIGHTS

- Revenue of the Group increased by 68.2% from US\$30.5 million for the nine months ended 30 September 2012 to approximately US\$51.3 million for the Period, representing an increase of 57.3% from US\$14.3 million for the three months ended 30 June 2013 to approximately US\$22.5 million for the three months ended 30 September 2013.
- Adjusted profit for the Period of the Group increased by 74.2% from US\$6.6 million for the nine months ended 30 September 2012 to approximately US\$11.5 million for the Period (excluded fair value change in preferred shares).
- The Directors do not recommend the payment of any dividend for the Period.

## THIRD QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited quarterly results and the unaudited condensed consolidated financial statements of the Group for the Period, together with the comparative figures for the nine months ended 30 September 2012. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors and non-executive Directors, with one of the independent non-executive Directors chairing the audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)	2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)
<b>CONTINUING OPERATIONS</b>					
REVENUE	3	22,534	10,172	51,294	30,545
Cost of sales		(5,792)	(2,467)	(12,611)	(7,157)
Gross profit		16,742	7,705	38,683	23,388
Other income and gains	3	48	165	103	36
Selling and distribution expenses		(6,480)	(3,541)	(12,775)	(7,349)
Administrative expenses		(2,616)	(2,024)	(6,929)	(5,025)
Research and development costs		(2,593)	(1,302)	(6,438)	(4,262)
Fair value loss of redeemable convertible preferred shares	7	—	(5,224)	(14,167)	(15,387)
Other expenses		(122)	(25)	(207)	(111)
PROFIT /(LOSS) BEFORE TAX		4,979	(4,246)	(1,730)	(8,710)
Income tax expense	4	(476)	(31)	(920)	(142)
PROFIT /(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		4,503	(4,277)	(2,650)	(8,852)
<b>DISCONTINUED OPERATION</b>					
Loss for the Period from a discontinued operation		—	70	—	62
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>4,503</b>	<b>(4,207)</b>	<b>(2,650)</b>	<b>(8,790)</b>

## CONDENSED CONSOLIDATED INCOME STATEMENTS (Continued)

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)	2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)
Notes				
Attributable to:				
Owners of the parent	<u>4,503</u>	<u>(4,207)</u>	<u>(2,650)</u>	<u>(8,790)</u>
<b>LOSS/EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO ORDINARY</b>				
<b>EQUITY HOLDERS OF THE PARENT</b>				
6				
(express in US\$ per share)				
Basic				
– For earnings/(loss) for the Period	<b>0.0043</b>	(0.0079)	<b>(0.0034)</b>	(0.0165)
– For earnings/(loss) from continuing operations	<b>0.0043</b>	(0.0081)	<b>(0.0034)</b>	(0.0166)
Diluted				
– For earnings/(loss) for the Period	<b>0.0040</b>	(0.0079)	<b>(0.0034)</b>	(0.0165)
– For earnings/(loss) from continuing operations	<b>0.0040</b>	(0.0081)	<b>(0.0034)</b>	(0.0166)

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>
PROFIT/(LOSS) FOR THE PERIOD	<b>4,503</b>	(4,207)	<b>(2,650)</b>	(8,790)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	<b>(141)</b>	(44)	<b>(272)</b>	10
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>(141)</b>	(44)	<b>(272)</b>	10
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b>4,362</b>	(4,251)	<b>(2,922)</b>	(8,780)
Attributable to:				
Owners of the parent	<b>4,362</b>	(4,251)	<b>(2,922)</b>	(8,780)

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Share option reserve <i>US\$'000</i>	Reserve funds <i>US\$'000</i>	Other reserve <i>US\$'000</i>	Exchange fluctuation reserve <i>US\$'000</i>	Accumulated deficits <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2012	1	3,453	787	—	8	(55)	(46,713)	(42,519)
Loss for the Period	—	—	—	—	—	—	(8,790)	(8,790)
Other comprehensive loss for the Period:								
Exchange differences on translation of foreign operations	—	—	—	—	—	10	—	10
Total comprehensive loss for the Period	—	—	—	—	—	10	(8,790)	(8,780)
Equity-settled share option arrangement	—	—	124	—	—	—	—	124
Transfer of share option reserve upon the expiry of share options	—	—	(23)	—	—	—	23	—
Exercise of share option	—	127	(85)	—	—	—	—	42
At 30 September 2012 (unaudited)	<u>1</u>	<u>3,580</u>	<u>803</u>	<u>—</u>	<u>8</u>	<u>(45)</u>	<u>(55,480)</u>	<u>(51,133)</u>
At 1 January 2013	<b>1</b>	<b>3,580</b>	<b>805</b>	<b>88</b>	<b>8</b>	<b>(110)</b>	<b>(60,213)</b>	<b>(55,841)</b>
Loss for the Period	—	—	—	—	—	—	(2,650)	(2,650)
Other comprehensive loss for the Period:								
Exchange differences on translation of foreign operations	—	—	—	—	—	(272)	—	(272)
Total comprehensive loss for the Period	—	—	—	—	—	(272)	(2,650)	(2,922)
Equity-settled share option arrangement	—	—	908	—	—	—	—	908
Exercise of share option	—	584	(282)	—	—	—	—	302
Conversion of redeemable convertible preferred shares (note 7)	1	80,762	—	—	—	—	—	80,763
Dividend declared	—	(4,923)	—	—	—	—	—	(4,923)
At 30 September 2013 (unaudited)	<u>2</u>	<u>80,003</u>	<u>1,431</u>	<u>88</u>	<u>8</u>	<u>(382)</u>	<u>(62,863)</u>	<u>18,287</u>

## NOTES

### 1. CORPORATE INFORMATION

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

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

### 2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standard ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standard Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 December 2012. The unaudited condensed consolidated financial information have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The financial information prepared under the historical cost convention, except for redeemable convertible preferred shares which have been measured at fair value. The financial information is presented in United States Dollar and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>
<b>Revenue</b>				
Online game revenue	21,861	9,973	49,122	29,935
Licensing revenue	21	43	213	454
Joint operation revenue	652	156	1,959	156
	<u>22,534</u>	<u>10,172</u>	<u>51,294</u>	<u>30,545</u>
<b>Other income and gains</b>				
Bank interest income	15	9	34	14
Gain on disposal of items of property, plant and equipment	4	—	4	8
Exchange gain	—	146	—	—
Others	29	10	65	14
	<u>48</u>	<u>165</u>	<u>103</u>	<u>36</u>

#### 4. INCOME TAX

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

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

IGG Singapore Pte. Ltd. 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 nine months ended 30 September 2013 (2012: 5%).

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

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the nine months ended 30 September 2013 (2012: 25%) on their respective taxable income, except for Fuzhou Tianmeng which was certified as Software Enterprises and is exempted from income tax for the nine months ended 30 September 2013 and 2012 respectively.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>
<b>Group:</b>				
Current year provision:				
US	24	3	39	7
Singapore	389	—	845	—
Subtotal of current tax	413	3	884	7
Deferred tax				
US	74	(22)	(3)	(26)
Singapore	(2)	47	(15)	166
PRC	(9)	3	54	(5)
Subtotal of deferred tax	63	28	36	135
Total tax charge for the Period	476	31	920	142

## 5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the nine months ended 30 September 2013 (2012: Nil). On 29 July 2013, the Company declared a special dividend in the amount of US\$4,923,497 payable to the Company's then existing Shareholders. Such dividend has been paid on 8 October 2013.

## 6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

On 16 September 2013, the Company's shareholders resolved to approve the subdivision of each issued and unissued ordinary share of US\$0.0001 each in the capital of the Company to 40 shares of US\$0.0000025 each. For the purpose of computing earnings/(loss) per share, the number of ordinary shares has been adjusted retroactively as a result of share subdivision.

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

The calculation of diluted earnings/(loss) per share amounts is based on the earnings/(loss) attributable to ordinary equity holders of the parent.

The weighted average numbers of ordinary shares used in the calculation of diluted loss per share are the numbers of ordinary shares in issue, as used in the basic loss per share calculation. No adjustment has been made to the basic loss per share amounts presented for three months ended 30 September 2012 and nine months ended 30 September 2013 and 2012 in respect of dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The share options have potential dilutive effect on the earnings per share for the three months ended 30 September 2013. Diluted earnings per share for the three months ended 30 September 2013 is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options.

## 6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>	2013 <i>US\$'000</i> <i>(Unaudited)</i>	2012 <i>US\$'000</i> <i>(Unaudited)</i>
Earnings/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation:				
From continuing operations	<b>4,503</b>	(4,277)	<b>(2,650)</b>	(8,852)
From a discontinued operation	—	70	—	62
	<b>4,503</b>	(4,207)	<b>(2,650)</b>	(8,790)
Weighted average number of ordinary shares in issue during the Period used in the basic earnings/(loss) per share calculation	<b>1,041,266,973</b>	531,050,000	<b>769,569,660</b>	533,617,926
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation	<b>1,114,419,561</b>	531,050,000	<b>769,569,660</b>	533,617,926

## 7. REDEEMABLE CONVERTIBLE PREFERRED SHARES

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

In 2007 and 2008, the Company issued certain Series A, B and A1 shares (collectively "Series Shares") shall automatically be converted into ordinary shares ("Automatic Conversion"), at the applicable Series Shares conversion price (i) upon the closing of an underwritten public offering of the ordinary shares of the Company in the United States, with an implied market capitalisation of at least two hundred and fifty million US dollars (US\$250,000,000) and the aggregate net proceeds of the Company in excess of fifty million US dollars (US\$50,000,000), or in a similar public offering of the ordinary shares of the Company in Hong Kong or another jurisdiction which results in the ordinary shares trading publicly on a recognised international securities exchange; provided that (a) the implied market capitalization of the Company after such offering shall be at least one hundred million US dollars (US\$100,000,000) and the aggregate net proceeds of the Company in excess of twenty million US dollars (US\$20,000,000); and (b) the board of directors have decided to have the Company listed on Hong Kong securities exchange or other recognised international securities exchange (a "Qualified Public Offering"), or (ii) upon the prior written approval of the holders of at least a majority of the Series Shares, which holders in each case shall include certain investors. In addition to the Automatic Conversion, each holder of Series Shares shall have the right, at such holder's sole discretion, to convert all or any portion of the Series Shares into ordinary shares at any time. The initial conversion price will be the Series Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect stock dividends, stock splits and other events.

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

## 7. REDEEMABLE CONVERTIBLE PREFERRED SHARES (Continued)

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

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

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)	2013 US\$'000 (Unaudited)	2012 US\$'000 (Unaudited)
At 1 July/1 January	—	56,147	66,596	45,984
Fair value changes in the Series Shares recognized in the income statement	—	5,224	14,167	15,387
Conversion of the Series Shares	—	—	(80,763)	—
At 30 September	—	61,371	—	61,371

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a fast-growing global online games developer and operator with headquarters in Singapore and regional offices in the United States, China and the Philippines. We offer multi-language mobile games, browser games and client-based games to players around the world adopting the F2P (free-to-play) model which players can download and play our games for free. Our revenue is generated by selling virtual items that enhance player's in-game experience.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group increased by 68.2% from US\$30.5 million for the nine months ended 30 September 2012 to approximately US\$51.3 million for the Period and representing an increase of 57.3% from US\$14.3 million for the three months ended 30 June 2013 to approximately US\$22.5 million for the three months ended 30 September 2013. The increase was mainly driven by: (i) an increase in the revenue generated from Wings of Destiny (ii) an increase in the revenue generated from the mobile games especially the Castle Clash, which was launched by the Group in July 2013, and (iii) and an increase in the revenue generated from the co-operation of several games of the Group.

### Selling and distribution expenses

Selling and distribution expenses of the Group increased by 75.3% from US\$7.3 million for the nine months ended 30 September 2012 to approximately US\$12.8 million for the Period. The increase was resulted from the significant increase of advertising and promotion expenses for Texas HoldEm Poker Deluxe and Wings of Destiny and the increase in advertising campaign expenses incurred for the mobile games, especially the Castle Clash, which was launched by the Group in July 2013.

### Administrative expenses

Administrative expenses of the Group increased by 38.0% from US\$5.0 million for the nine months ended 30 September 2012 to approximately US\$6.9 million for the Period. The increase was mainly resulted from listing expenses and personnel expenses.

### Research and development

Research and development cost of the Group increased by 48.8% from US\$4.3 million for the nine months ended 30 September 2012 to approximately US\$6.4 million for the Period. The increase was mainly related to the increase of personnel expenses of research and development department.

### Adjusted profit for the Period

The adjusted profit of the Group increased 74.2% from US\$6.6 million for the nine months ended 30 September 2012 to approximately US\$11.5 million for the Period (excluded fair value loss of preferred shares). The increase was in line with increase of revenue. Adjusted profit for the Period is derived by excluding the fair value loss of the Preferred Shares (as defined in the Prospectus) from loss for the Period. Adjusted profit for the Period is not calculated based on IFRS. The amounts included in the adjusted profit for the Period, however, are derived from amounts included in the consolidated income statement data. We have presented adjusted profit for the Period in this report as we believe that adjusted profit for the Period is a useful supplement to income statement data because it enables us to measure our profitability without taking into consideration of fair value loss of the Preferred Shares, which were converted to our ordinary Shares on 31 May 2013. We believe adjusted profit for the Period is a more accurate indication of our profitability and operating performance for the Period. However, adjusted profit for the Period should not be considered in isolation or construed as an alternative to net income or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with IFRS, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted profit for the Period measure presented in this report may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

## **FINANCIAL REVIEW (Continued)**

### **Dividend**

On 29 July 2013, the Company declared a dividend in the amount of US\$4.9 million payable to the then existing Shareholders, representing US\$0.19 per Share. Such dividend has been paid on 8 October 2013.

Save as disclosed above, the Company has not declared or paid any dividends during the Period.

### **Contingent Liabilities**

As at 30 September 2013, the Group did not have any significant contingent liabilities.

## **BUSINESS REVIEW AND OUTLOOK**

During the Period, the global game industry remained highly competitive. Following our overall corporate strategy of the year, the Group continued to focus on: (i) mobile games development, and (ii) global marketing and operation of our games.

### **Successful Migration to Mobile Game**

To capture the explosive opportunities in global mobile games, the Group has shifted more than 80% of our research and development force to mobile game development. Seven mobile games were launched during the Period. Revenue realised from mobile game accounted for approximately 33.5% of the total revenue for the Period, increased from 2.3% for the nine months ended 30 September 2012. For the three months ended 30 September 2013, our gross billing was approximately US\$22.9 million and the gross billing for our mobile games accounted for over 50% of our total gross billings. Gross billing is a non-GAAP financial measure that is equal to revenue recognised during the Period plus the change in deferred revenue and provision for chargeback during the Period. Accordingly, our gross billing was generally slightly more than our revenue during the Period.

Especially, in July 2013, we launched three mobile games, among which, "Castle Clash", which is a fast-paced tower defense game, quickly rose in popularity to become a top ten game in 32 countries and a top five game in 22 countries and regions in terms of daily revenue for 3 October 2013, according to Appannie.com, an independent third party provider mobile application analytics. For the Period, gross billing generated from Castle Clash was approximately US\$7.2 million, and the MAU (monthly active users: the number of individual who login to a particular game during the 30-day period ending with the measurement date) for this game was approximately 5.2 million as at 30 September 2013.

We have additional six mobile games under development which we expect to launch by the end of 2013.

## **BUSINESS REVIEW AND OUTLOOK (Continued)**

### **Global Presence**

During the Period, we continued to generate a substantial portion of our revenue from sales of virtual items in our proprietary online games to a large and diversified user bases around the world. Development and distribution of these games was facilitated by our strong game development capability and successful multi-language game design and marketing strategy. As at 30 September 2013, our player community consisted of over 90 million player accounts around the world, including a total MAU of approximately 9.3 million. For the Period, 41.4%, 23.0% and 25.0% of our total revenue was generated from players with IP addresses in North America, Europe and Asia, respectively.

As of the week ended 29 September 2013, according to Distimo.com, an independent third party provider of mobile application analytics, in terms of weekly gross sales generated at Google Play, the Group ranked among the Top 9 global games operators, Top 2 in Singapore, Top 5 in Hong Kong and Taiwan, Top 6 in the United States, Australia, Russia and Canada, and Top 8 in United Kingdom.

### **Prospects**

The management of the Group will continue to develop attractive games to cater to diversified preferences of game players around the world and to further establish long-term partnership with Apple App Store, Google Play and Facebook, as well as more than 40 other game promotional platforms to execute our global marketing strategy in an effective manner.

### **Significant Events after the Period**

On 18 October 2013, the Shares of the Company were listed on the GEM by way of placing.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

As at the date of this report, none of the Directors or chief executives of the Company held any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme.

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiries to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions since the Listing Date.

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

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

The Shares of the Company were listed on GEM on 18 October 2013. As at 30 September 2013, none of the Directors and/or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be disclosed to the Company under Divisions 7 and 8 of Part XV of the SFO.

As at the date of this report, 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 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### *Long positions*

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding (Assuming no exercise of Over-allotment Option)</b>
Mr. Zongjian Cai (Notes 1, 4)	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,599,179 Shares	34.10%
Mr. Yuan Chi (Notes 2, 4)	Interest in a controlled corporation, interests held jointly with another person	446,599,179 Shares	34.10%
Mr. Dajian Yu (Note 3)	Beneficial owner	400,000 Shares	0.03%

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

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

Notes:

- (1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is therefore deemed to be interested in 178,699,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is also deemed to be interested in all Shares held by Ms. Kai Chen under the SFO.
- (2) Mr. Yuan Chi is interested in all the issued share capital of Edmond Online and he is therefore deemed to be interested in 158,080,000 Shares held by Edmond Online under the SFO.
- (3) Mr. Dajian Yu is interested in 400,000 Shares which were issued to him upon the exercise of the Pre-IPO share options on 9 February 2012.
- (4) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. The Controlling Shareholders expect that the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.

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

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

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

The Shares of the Company were listed on GEM on 18 October 2013. As at 30 September 2013, there was no interest or short position in the shares or underlying shares of our Company required to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO. So far as were known to the Directors or chief executive of the Company, as at the date of this report, the following persons (other than the Directors and chief executive of the Company as disclosed above) 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 (Assuming no exercise of Over-allotment Option)
Duke Online (Note 4)	Beneficial owner, interests held jointly with another person	446,599,179 Shares	34.10%
Mr. Zongjian Cai (Notes 1, 4)	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,599,179 Shares	34.10%
Edmond Online (Note 4)	Beneficial owner, interests held jointly with another person	446,599,179 Shares	34.10%
Mr. Yuan Chi (Notes 2, 4)	Interest in a controlled corporation, interests held jointly with another person	446,599,179 Shares	34.10%
Mr. Yuan Xu (Note 4)	Beneficial owner, interests held jointly with another person	446,599,179 Shares	34.10%
Mr. Hong Zhang (Note 4)	Beneficial owner, interests held jointly with another person	446,599,179 Shares	34.10%
Ms. Kai Chen (Notes 3, 4)	Beneficial owner, spouse interest, interest held jointly with another person	446,599,179 Shares	34.10%
Mr. Zhixiang Chen (Note 4)	Beneficial owner, interests held jointly with another person	446,599,179 Shares	34.10%
IDG Group (Note 5)	Beneficial owner	287,577,880 Shares	21.96%
IDG-Accel China Growth Fund GP II Associates Ltd. (Note 5)	Interest in a controlled corporation	287,577,880 Shares	21.96%
IDG-Accel China Growth Fund II Associates L.P. (Note 5)	Interest in a controlled corporation	265,837,000 Shares	20.30%
Vertex (Note 6)	Beneficial owner	119,225,000 Shares	9.10%
Temasek Holdings (Private) Limited	Interest in a controlled corporation	119,225,000 Shares	9.10%

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

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

Notes:

- (1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is therefore deemed to be interested in 178,699,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is also deemed to be interested in all Shares held by Ms. Kai Chen under the SFO.
- (2) Mr. Yuan Chi is interested in all the issued share capital of Edmond Online and he is therefore deemed to be interested in 158,080,000 Shares held by Edmond Online under the SFO.
- (3) Ms. Kai Chen is also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.
- (4) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. The Controlling Shareholders expect that the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.
- (5) The IDG Group is comprised of two limited partnerships, IDG-Accel China Growth Fund II L.P., which holds 265,837,000 Shares and IDG-Accel China Investors II L.P., which holds 21,740,880 Shares. Each member of the IDG Group is managed by its general partner, who has the full and exclusive power and authority to manage and control the fund and its business. Each member of the IDG Group also consists of limited partner or limited partners who merely play the passive function of injecting capital into the fund and have no voting or management right. The members of the IDG Group are equity investment in portfolios with China-related business and operations.  
  
IDG-Accel China Growth Fund II L.P. is controlled by its general partner, namely, IDG-Accel China Growth Fund II Associates L.P., which is, in turn, controlled by its general partner, namely, IDG-Accel China Growth Fund GP II Associates Ltd. Therefore, each of IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all Shares held by IDG-Accel China Growth Fund II L.P. under the SFO.  
  
IDG-Accel China Investors II. L.P. is controlled by its general partner, IDG-Accel China Growth Fund GP II Associates Ltd. Therefore, IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all Shares held by IDG-Accel China Investors II. L.P. under the SFO.
- (6) Vertex is 100% owned by Vertex Venture Holdings Limited, which is ultimately owned by Temasek Holdings (Private) Limited.

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

## PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by written resolutions of all the Shareholders. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 23 of the GEM Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

The purpose of the Pre-IPO Share Option Scheme is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares.

The outstanding options under the Pre-IPO Share Option Scheme represent share options originally granted by the Company to the grantees on 20 January 2007, 1 July 2007, 1 July 2008, 5 December 2008, 19 March 2009, 1 August 2009, 1 November 2009, 18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011, 2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, and 31 March 2013, respectively, in respect of the Shares in the Company. A total of 224 participants, including three members of the senior management and seven connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme.

As at 30 September 2013, the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 86,208,000 Shares representing approximately 6.58% of the issued share capital of the Company upon the Listing (assuming the Over-allotment is not exercised at all).

Options granted under the Pre-IPO Share Option Scheme shall mainly vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant:

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

## PRE-IPO SHARE OPTION SCHEME (Continued)

Below table set forth the exercise price of the 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

Save as disclosed in the Prospectus, no share options under the Pre-IPO Share Option Scheme have been granted, exercised, lapsed or cancelled during the Period and up to the date of this report.

## SHARE OPTION SCHEME

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

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

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

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

### **SHARE OPTION SCHEME (Continued)**

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.

No share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled during the Period and up to the date of this report.

### **AUDIT COMMITTEE**

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

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

### **CORPORATE GOVERNANCE CODE**

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

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

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

Since the Shares of the Company were listed on GEM on 18 October 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **COMPETING INTEREST**

Save as disclosed in the Prospectus, none of the Directors or the Controlling Shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in any business which competed or may compete with the business of the Group during the Period.

## INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by China Everbright Capital Limited, the compliance adviser of the Company, none of China Everbright Capital Limited and its directors, employees and associates is materially interested in any contract or arrangement subsisting on 18 October 2013, being the first date of trading of the Shares of the Company immediately after the Period, which is significant in relation to the business of the Group.

## DEFINITION

"Board" or "Board of Directors"	the board of Directors
"Company"	IGG Inc
"Controlling Shareholders"	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
"Corporate Governance Code"	Code on corporate governance practices contained in Appendix 15 to the GEM Listing Rules
"Directors(s)"	the director(s) of the Company
"Duke Online"	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai, one of the Controlling Shareholders
"Edmond Online"	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Yuan Chi, one of the Controlling Shareholders
"GEM"	Growth Enterprise Market
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	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
"IDG Group"	collectively, IDG-Accel China Growth Fund II L.P. and IDG-Accel China Investors II L.P., two exempted limited partnerships formed under the laws of Cayman Island on 8 June 2007 and 3 July 2007, respectively, both of which are managed by their respective general partners
"Listing"	the Shares of the Company are listed on the GEM of the Stock Exchange
"Listing Date"	18 October 2013

## DEFINITION (Continued)

"Period"	the nine months ended 30 September 2013
"PRC" or "China"	The People's Republic of China
"Prospectus"	the prospectus of the Company dated 11 October 2013
"Pre-IPO Share Option Scheme"	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities Futures Ordinance
"Share(s)"	means share(s) of US\$0.0001 each in the share capital of the Company prior to the Subdivision or US\$0.0000025 each in the share capital of the Company after the Subdivision becoming effective
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus
"Shareholder(s)"	Shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subdivision"	each issued and unissued share of a par value of US\$0.0001 in the share capital of the Company was sub-divided into 40 Shares of a par value of US\$0.0000025 each pursuant to the Shareholders' resolution passed on 16 September 2013
"US\$"	United States dollars, the lawful currency of the United States of America
"Vertex"	Vertex Asia Investments Pte. Ltd. (or its affiliates or successors), a company incorporated under the law of Singapore on 20 April 2011 which is ultimately wholly owned by Temasek Holdings (Private) Limited
%	per cent

By Order of the Board

**IGG INC**

**Zongjian Cai**

*Chairman*

Hong Kong, 9 November 2013

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