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IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 799)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

	Six months ended 30 June			
	2017		2016	
	<i>US\$'000</i>	<i>HK\$'000²</i>	<i>US\$'000</i>	<i>HK\$'000²</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue	273,529	2,125,703	126,041	979,023
Profit for the period	76,156	591,839	25,039	194,490
Profit for the period attributable to equity shareholders of the Company	76,708	596,129	26,109	202,802
Adjusted net income ¹	78,386	609,169	27,194	211,229

- The Group’s revenue for the Period was US\$273.5 million, representing an increase of 117% over the revenue of US\$126.0 million for the corresponding period in 2016. Compared to the three months ended 31 March 2017, revenue increased by 17% for the three months ended 30 June 2017. The increase was primarily due to the significant revenue contribution of the hit title “Lords Mobile”, which topped US\$41.1 million in monthly gross billing in June 2017.
- The Group’s profit for the Period was US\$76.2 million, representing an increase of 205% over the profit of US\$25.0 million for the corresponding period in 2016.
- The Group’s profit attributable to equity shareholders of the Company for the Period was US\$76.7 million, representing an increase of 194% over US\$26.1 million for the corresponding period in 2016.
- The Group’s adjusted net income for the Period was US\$78.4 million, representing an increase of 188% over US\$27.2 million for the corresponding period in 2016.
- The Board has resolved to declare an interim dividend of HK13.0 cents per ordinary Share (equivalent to US1.7 cents per ordinary Share) and a special dividend of HK22.0 cents per ordinary Share (equivalent to US2.8 cents per ordinary Share). Total dividends for the Period would be HK35.0 cents per ordinary Share (equivalent to US4.5 cents per ordinary Share), amounting to a total of approximately US\$61 million (for the six months ended 30 June 2016: interim dividend of HK4.3 cents per ordinary Share, equivalent to US0.6 cents per ordinary Share).

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

2 Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK\$7.7714=US\$1.00 for the Period (for the six months ended 30 June 2016: HK\$7.7675=US\$1.00), for illustration purpose only. Such conversions shall not be construed as representations that such amount in U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

UNAUDITED INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. These results have been reviewed by the Company's audit committee, comprising three independent non-executive Directors, one of whom chairs the audit committee.

The external auditor, KPMG has reviewed the interim financial report for the Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	Six months ended	
		30 June	
		2017	2016
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	273,529	126,041
Cost of sales		<u>(87,404)</u>	<u>(37,399)</u>
Gross profit		<u>186,125</u>	<u>88,642</u>
Other income	4	2,242	543
Selling and distribution costs		(60,986)	(34,047)
Administrative expenses		(13,795)	(11,168)
Research and development costs		(21,713)	(16,214)
Other operating expenses		(296)	(194)
Share of results of associates and joint ventures		<u>(608)</u>	<u>(432)</u>
Profit before taxation	5	90,969	27,130
Income tax expenses	6	<u>(14,813)</u>	<u>(2,091)</u>
Profit for the period		<u><u>76,156</u></u>	<u><u>25,039</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(Continued)

	Six months ended	
	30 June	
<i>Note</i>	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Attributable to:		
Equity shareholders of the Company	76,708	26,109
Non-controlling interests	<u>(552)</u>	<u>(1,070)</u>
Profit for the period	<u><u>76,156</u></u>	<u><u>25,039</u></u>
Earnings per share	7	
Basic	<u><u>US\$0.0576</u></u>	<u><u>US\$0.0191</u></u>
Diluted	<u><u>US\$0.0561</u></u>	<u><u>US\$0.0186</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>76,156</u>	<u>25,039</u>
Other comprehensive income for the period, after tax		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	337	154
Available-for-sale equity investment: net movement in the fair value reserve	<u>588</u>	<u>(399)</u>
Other comprehensive income / (loss) for the period	<u>925</u>	<u>(245)</u>
Total comprehensive income for the period	<u>77,081</u>	<u>24,794</u>
Attributable to:		
Equity shareholders of the Company	77,633	25,864
Non-controlling interests	<u>(552)</u>	<u>(1,070)</u>
Total comprehensive income for the period	<u>77,081</u>	<u>24,794</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31	
	<i>Note</i>	At 30 June	December
		2017	2016
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		7,054	7,732
Intangible assets		203	393
Other non-current assets		2,233	2,226
Interest in associates and joint ventures		150	661
Available-for-sale investments		11,209	8,118
Deferred tax assets		<u>16</u>	<u>14</u>
		<u>20,865</u>	<u>19,144</u>
Current assets			
Trade and other receivables	8	12,078	7,712
Funds receivable		51,755	32,514
Cash and cash equivalents		<u>237,329</u>	<u>184,061</u>
		<u>301,162</u>	<u>224,287</u>
Current liabilities			
Trade and other payables	9	38,085	23,251
Tax payable		16,409	4,964
Deferred revenue		<u>26,109</u>	<u>19,081</u>
		<u>80,603</u>	<u>47,296</u>
Net current assets		<u>220,559</u>	<u>176,991</u>
Total assets less current liabilities		<u>241,424</u>	<u>196,135</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

		At 30 June	At 31
	<i>Note</i>	2017	December
		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		<u>345</u>	<u>480</u>
		<u>345</u>	<u>480</u>
NET ASSETS		<u><u>241,079</u></u>	<u><u>195,655</u></u>
Equity			
Share capital	10	3	3
Reserves		<u>242,089</u>	<u>195,933</u>
Total equity attributable to equity shareholders of the Company		242,092	195,936
Non-controlling interests		<u>(1,013)</u>	<u>(281)</u>
TOTAL EQUITY		<u><u>241,079</u></u>	<u><u>195,655</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company													
	Share capital	Share premium	Share-based payment reserve	Shares held for share award scheme	Share repurchased for cancellation	Fair value reserve	Statutory reserve	Other reserve	Exchange 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	
	Note 11													
Balance at 1 January 2017	3	160,554	6,382	(10,941)	—	(588)	88	423	(1,970)	41,985	195,936	(281)	195,655	
Changes in equity for the six months ended 30 June 2017:														
Profit for the period	—	—	—	—	—	—	—	—	—	76,708	76,708	(552)	76,156	
Other comprehensive income	—	—	—	—	—	588	—	—	337	—	925	—	925	
Total comprehensive income	—	—	—	—	—	588	—	—	337	76,708	77,633	(552)	77,081	
Losing control of subsidiary	—	—	—	—	—	—	—	—	—	—	—	(180)	(180)	
Equity-settled share-based payment	—	—	1,678	—	—	—	—	—	—	—	1,678	—	1,678	
Shares purchased for the Share Award Scheme	—	—	—	(5,013)	—	—	—	—	—	—	(5,013)	—	(5,013)	
Repurchase of ordinary shares	—	—	—	—	(6,193)	—	—	—	—	—	(6,193)	—	(6,193)	
Cancellation of ordinary shares	—	(6,193)	—	—	6,193	—	—	—	—	—	—	—	—	
Exercise of share options	—	1,622	(572)	—	—	—	—	—	—	—	1,050	—	1,050	
Vesting of awarded shares	—	27	(839)	812	—	—	—	—	—	—	—	—	—	
Dividends received for share award schemes	—	—	—	—	—	—	—	301	—	—	301	—	301	
2016 second interim and special dividend paid	—	—	—	—	—	—	—	—	—	(23,300)	(23,300)	—	(23,300)	
Balance at 30 June 2017 (unaudited)	3	156,010	6,649	(15,142)	—	—	88	724	(1,633)	95,393	242,092	(1,013)	241,079	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Attributable to equity shareholders of the Company													
	Share capital	Share premium	Share- based payment reserve	Shares held for share award scheme	Share repurchased for cancellation	Fair value reserve	Statutory reserve	Other reserve	Exchange 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
Note 11													
Balance at 1 January 2016	3	186,870	5,316	(5,829)	(1,669)	(168)	88	153	(1,295)	7,055	190,524	730	191,254
Changes in equity for the six months ended 30 June 2016:													
Profit for the period	—	—	—	—	—	—	—	—	—	26,109	26,109	(1,070)	25,039
Other comprehensive income	—	—	—	—	—	(399)	—	—	154	—	(245)	—	(245)
Total comprehensive income	—	—	—	—	—	(399)	—	—	154	26,109	25,864	(1,070)	24,794
Disposal of equity interest in a subsidiary without losing control	—	20	—	—	—	—	—	—	—	—	20	19	39
Equity-settled share-based payment	—	—	1,085	—	—	—	—	—	—	—	1,085	—	1,085
Repurchase of ordinary shares	—	—	—	—	(17,623)	—	—	—	—	—	(17,623)	—	(17,623)
Cancellation of ordinary shares	—	(15,659)	—	—	15,659	—	—	—	—	—	—	—	—
Exercise of share options	—	411	(139)	—	—	—	—	—	—	—	272	—	272
Vesting of awarded shares	—	51	(655)	604	—	—	—	—	—	—	—	—	—
Dividends received for share award schemes	—	—	—	—	—	—	—	196	—	—	196	—	196
2015 second interim and special dividend paid	—	—	—	—	—	—	—	—	—	(30,158)	(30,158)	—	(30,158)
Balance at 30 June 2016 (unaudited)	<u>3</u>	<u>171,693</u>	<u>5,607</u>	<u>(5,225)</u>	<u>(3,633)</u>	<u>(567)</u>	<u>88</u>	<u>349</u>	<u>(1,141)</u>	<u>3,006</u>	<u>170,180</u>	<u>(321)</u>	<u>169,859</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in US dollars unless otherwise indicated)

1 Basis of preparation

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standard Board (“IASB”). These interim financial statements were authorised for issue on 25 August 2017.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of IGG Inc (the “Company”) and its subsidiaries (together the “Group”) since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2 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.

Geographic information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("specified non-current assets"). The geographical locations of customers are based on the Internet Protocol locations of the game players. The geographical locations of the specified non-current assets are based on the physical locations of the assets.

(a) Revenue from external customers

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Asia	130,107	35,484
North America	73,994	43,151
Europe	58,972	40,756
Oceania	6,039	3,445
South America	3,215	2,436
Africa	1,202	769
	<u>273,529</u>	<u>126,041</u>

(b) Specified non-current assets

	30 June	31
	2017	December
	<i>US\$'000</i>	<i>US\$'000</i>
PRC ("People's Republic of China")	5,551	6,043
North America	1,133	1,296
Singapore	159	186
Others	211	207
	<u>7,054</u>	<u>7,732</u>

3 Revenue

Revenue represents the value of services rendered after allowances for chargebacks and deduction of value-added tax, and is analysed as follows:

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Online game revenue	271,627	123,377
Joint operation revenue	1,667	2,240
Others	<u>235</u>	<u>424</u>
	<u><u>273,529</u></u>	<u><u>126,041</u></u>

The Group's customer base was diversified and no customer had transactions with the Group exceeding 10% of the Group's aggregate revenue during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

4 Other income

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Gain on disposal of available-for-sale investment	832	—
Exchange gain	687	—
Bank interest income	376	256
Government grants	296	287
Other	<u>51</u>	<u>—</u>
	<u><u>2,242</u></u>	<u><u>543</u></u>

Government grants were primarily received from the government of the PRC for subsidising technology export businesses. There are no unfulfilled conditions or contingencies relating to the grants.

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
(a) Staff costs		
Salaries, wages and other benefits	20,729	15,793
Equity-settled share-based payments (note 11)	1,678	1,085
Contributions to defined contribution retirement plans	<u>590</u>	<u>539</u>
	<u>22,997</u>	<u>17,417</u>
(b) Other items		
Channel cost	82,417	32,892
Operating lease charges in respect of leasing of properties	2,270	2,426
Depreciation	1,176	1,035
Amortisation	217	242
Net foreign exchange (gain)/ loss	(687)	77
Loss on disposal of property, plant and equipment	<u>22</u>	<u>14</u>

6 Income tax

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax - Singapore	14,724	2,049
Current tax - Others	226	85
Deferred taxation	<u>(137)</u>	<u>(43)</u>
	<u>14,813</u>	<u>2,091</u>

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 Pte. Ltd. is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a concessionary tax rate of 10% on qualifying income derived during the six months ended 30 June 2017 (six months ended 30 June 2016: 5%).

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

7 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of US\$76,708,000 (six months ended 30 June 2016: US\$26,109,000) and the weighted average of 1,331,218,000 ordinary shares (six months ended 30 June 2016: 1,366,063,000 shares) in issue during the interim period.

Weighted average number of ordinary shares (basic)

	Six months ended	
	30 June	
	2017	2016
	<i>shares</i>	<i>shares</i>
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	1,349,900	1,396,712
Effect of share award scheme	(17,247)	(11,164)
Effect of share options exercised	7,216	2,961
Effect of repurchase of ordinary shares	<u>(8,651)</u>	<u>(22,446)</u>
	<u>1,331,218</u>	<u>1,366,063</u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of US\$76,708,000 (six months ended 30 June 2016: US\$26,109,000) and the weighted average number of ordinary shares of 1,368,337,000 (six months ended 30 June 2016: 1,404,275,000 shares).

Weighted average number of ordinary shares (diluted)

	Six months ended	
	30 June	
	2017	2016
	<i>shares</i>	<i>shares</i>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares	1,331,218	1,366,063
Effect of deemed issue of shares under the Company's share option scheme	30,452	37,017
Effect of deemed issue of shares under the Company's share award scheme	<u>6,667</u>	<u>1,195</u>
	<u>1,368,337</u>	<u>1,404,275</u>

8 Trade and other receivables

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

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date, is as follows:

	30 June	31
	2017	December
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	1,050	613
3 to 6 months	752	48
6 months to 1 year	298	78
Over 1 year	<u>—</u>	<u>265</u>
Trade debtors net of allowance for doubtful debts	2,100	1,004
Prepayments	8,303	3,844
Rental deposits	271	267
Other receivables	<u>1,404</u>	<u>2,597</u>
	<u><u>12,078</u></u>	<u><u>7,712</u></u>

No provision has been made for impairment of trade and other receivables during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	30 June	31
	2017	December
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	20,988	12,442
3 to 6 months	4,840	785
6 months to 1 year	79	480
Over 1 year	<u>42</u>	<u>237</u>
Total creditors	25,949	13,944
Salary and welfare payables	5,132	3,413
Other tax payables	3,085	543
Other payables and accruals	<u>3,919</u>	<u>5,351</u>
	<u><u>38,085</u></u>	<u><u>23,251</u></u>

The trade and other payables are non-interest-bearing and are mainly settled within three months.

10 Dividends and share capital

(a) Dividends

- (i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Interim dividend declared after the interim period of HK13.0 cents per ordinary share (2016: HK4.3 cents per ordinary share)	22,543	7,500
Special dividend declared after the interim period of HK22.0 cents per ordinary share (2016: Nil)	<u>38,150</u>	<u>—</u>

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended	
	30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Second interim dividend in respect of the previous financial year, approved and paid during the period, of HK8.0 cents per ordinary share (2016: HK2.8 cents per ordinary share)	13,934	5,046
Special dividend in respect of the previous financial year, approved and paid during the period, of HK5.4 cents per ordinary share (2016: HK14.2 cents per ordinary share)	<u>9,366</u>	<u>25,112</u>

(b) Share capital

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

	Number of shares in issue	Issued capital US\$'000	Share premium account US\$'000	Shares held for share award scheme US\$'000	Shares repurchased for cancellation US\$'000
At 1 January 2017	1,349,900,187	3	160,554	(10,941)	—
Vesting of awarded shares	—	—	27	812	—
Share options exercised (note 11)	12,310,912	—	1,622	—	—
Shares purchased for the Share Award Scheme (i)	—	—	—	(5,013)	—
Repurchase of ordinary shares (ii)	—	—	—	—	(6,193)
Cancellation of ordinary shares	<u>(8,504,000)</u>	<u>—</u>	<u>(6,193)</u>	<u>—</u>	<u>6,193</u>
At 30 June 2017	<u>1,353,707,099</u>	<u>3</u>	<u>156,010</u>	<u>(15,142)</u>	<u>—</u>
At 1 January 2016	1,396,711,599	3	186,870	(5,829)	(1,669)
Vesting of awarded shares	—	—	51	604	—
Share options exercised (note 11)	5,226,088	—	411	—	—
Repurchase of ordinary shares	—	—	—	—	(17,623)
Disposal of equity interest in a subsidiary without losing control	—	—	20	—	—
Cancellation of ordinary shares	<u>(35,361,000)</u>	<u>—</u>	<u>(15,659)</u>	<u>—</u>	<u>15,659</u>
At 30 June 2016	<u>1,366,576,687</u>	<u>3</u>	<u>171,693</u>	<u>(5,225)</u>	<u>(3,633)</u>

- (i) In May 2017, 3,421,000 ordinary shares have been purchased for the Share Award Scheme with total consideration of US\$5,013,000.
- (ii) In January 2017, 8,504,000 ordinary shares have been repurchased for cancellation with total consideration of US\$6,193,000.

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

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

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

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

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

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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at the beginning of the period	0.0619	36,874,412	0.0599	46,681,500
Exercised during the period	0.0597	(11,625,412)	0.0446	(5,151,088)
Forfeited during the period	0.0865	<u>(25,000)</u>	0.0865	<u>(120,000)</u>
Outstanding at the end of the period	0.0629	<u>25,224,000</u>	0.0617	<u>41,410,412</u>

The number and the weighted average exercise price of exercisable share options under the Pre-IPO Share Option Scheme at the end of the period/year:

	30 June 2017		31 December 2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Exercisable at the end of the period/year	US\$0.0629	25,224,000	US\$0.0598	33,944,412

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

<i>30 June 2017</i>		
<i>Number of options</i>	<i>Exercise price per share</i>	<i>Exercise period</i>
	US\$	
536,000	0.0081	since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
3,535,000	0.0500	since IPO to 31-07-2019
6,726,000	0.0525	since IPO to 20-04-2021
20,000	0.0525	since IPO to 02-05-2021
30,000	0.0525	since IPO to 15-05-2021
903,500	0.0865	since IPO to 13-08-2021
1,158,000	0.0865	since IPO to 14-01-2022
3,931,000	0.0865	since IPO to 21-05-2022
<u>4,384,500</u>	0.0865	since IPO to 31-03-2023
<u>25,224,000</u>		

No equity-settled share options under Pre-IPO Share Option Scheme have been granted during six months ended 30 June 2017 and 2016 respectively.

As at 30 June 2017, the Pre-IPO share options outstanding had a weighted average remaining contractual life of 3.68 years (31 December 2016: 4.19 years).

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 to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (defined as below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons of the Post-IPO Share Option Scheme 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 the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Company shall not exceed 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.

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

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

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

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

The following share options were outstanding under the Post-IPO Share Option Scheme during the six months ended 30 June 2017:

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the period	3.92	7,598,500	3.90	7,966,000
Granted during the period	10.50	780,000	—	—
Exercised during the period	4.04	(685,500)	3.51	(75,000)
Forfeited during the period	3.90	<u>(15,000)</u>	3.55	<u>(230,000)</u>
Outstanding at the end of the period	4.58	<u>7,678,000</u>	3.92	<u>7,661,000</u>

The number and the weighted average exercise price of exercisable share options under the Post-IPO Share Option Scheme at the end of the period/year:

	<u>30 June 2017</u>		<u>31 December 2016</u>	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Exercisable at the end of the period/year	HK\$3.90	3,294,169	HK\$3.95	2,279,086

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

<i>30 June 2017</i>			
<i>Number of options</i>	<i>Exercise price per share</i>		<i>Exercise period</i>
	HK\$		
252,000	5.47	11-08-2015 to 11-08-2024	
642,000	3.51	21-11-2015 to 21-11-2024	
4,474,000	3.90	23-03-2016 to 23-03-2025	
1,430,000	3.90	03-06-2016 to 03-06-2025	
100,000	2.94	10-09-2016 to 10-09-2025	
<u>780,000</u>	10.50	20-04-2018 to 19-04-2027	
<u><u>7,678,000</u></u>			

On 20 April 2017, the Company granted a total of 780,000 share options to certain employees of the Group with an exercise price of HK\$10.50 per share. The closing price of the Company's shares immediately before the date of grant was HK\$9.83.

As at 30 June 2017, the Post-IPO share options outstanding had a weighted average remaining contractual life of 7.90 years (31 December 2016: 8.17 years).

For both Pre-IPO share options and Post-IPO share options, the weighted average closing price of the Company's shares immediately before date on which share options were exercised during the period was HK\$8.58 (six months ended 30 June 2016: HK\$3.54). Share options exercised under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme during the six months ended 30 June

2017 resulted in the issuance of 12,310,912 (six months ended 30 June 2016: 5,226,088) ordinary shares of the Company and share premium of US\$ 1,622,000 (six months ended 30 June 2016: US\$411,000), as further detailed in note 10 to the financial statements.

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 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 share is determined by the Board. The awarded shares granted shall vest in the grantees in accordance with the schedule as determined by the Board.

Movements in the number of shares held for the Share Award Scheme and awarded shares for the six months ended 30 June 2017 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2017	8,471,852	9,411,638	17,883,490
Purchased	3,421,000	—	3,421,000
Granted	(2,801,469)	2,801,469	—
Forfeited	329,176	(329,176)	—
Vested	—	(1,284,150)	(1,284,150)
At 30 June 2017	<u>9,420,559</u>	<u>10,599,781</u>	<u>20,020,340</u>
Vested but not transferred as at 30 June 2017			<u>—</u>

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

The weighted average fair value of awarded shares granted during the six months ended 30 June 2017 was HK\$10.96 per share.

The awarded shares granted during the six months ended 30 June 2017 and outstanding as at the period then ended will vest in anniversary of grant date with each of 25% being vested annually.

12 Losing control of subsidiary

On 16 June 2017, the Group entered into a shareholders agreement with individual shareholders of Tap Media Technology Inc. and agreed that unanimous approval shall be required for all members of the board on decisions regarding operating and financing activities significantly affect their returns to Tap Media Technology Inc., and the Group is only entitled to appoint one (1) director out of three (3) directors in the board. As a result, the Group cannot exercise unilateral control over the board of directors of Tap Media Technology Inc.. Tap Media Technology Inc. became a joint venture of the Group since 16 June 2017.

The above transaction had the following effect on the Group's assets and liabilities upon the date when control was lost:

	<i>US\$'000</i>
Current assets	1,761
Non-current assets	22
Less : current liabilities	<u>1,505</u>
Net identifiable assets and liabilities disposed of	<u><u>278</u></u>
Percentage of equity interest held by the Group	61%
Interest in joint venture recognised	<u>170</u>
Consideration received, satisfied in cash	—
Less: cash and cash equivalent disposed of	<u>1,345</u>
Net cash effect	<u><u>(1,345)</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group, established in 2006, is a renowned developer and publisher of online games with a strong global presence and international customer base of 430 million registered users. Leveraging its success in client-based and browser online games, the Group redirected its strategy to target the mobile games market from 2013. Over four years of effort, the Group has developed a wide range of popular mobile games in 20 languages which have garnered critical acclaim and won prestigious awards. Embracing our corporate spirit of “Innovators at Work, Gamers at Heart”, the Group is dedicated to creating high-quality and enjoyable games that will stand the test of time.

Global Presence

IGG is headquartered in Singapore with regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, Korea, Thailand, Belarus and the Philippines. The Group has users from more than 200 countries and regions worldwide. Over the past decade, IGG has aggressively pursued a strategy of global R&D and operations, establishing long-term relationships with hundreds of business partners, including art studios, advertising channels, as well as global platforms such as Apple, Google, Amazon, and Microsoft. The Group’s international presence and partnerships have enhanced its competitive advantage in the industry. Powered by the enormous success of Lords Mobile and Castle Clash, the Group was ranked 27th among the top-performing app publishers globally in 2016, by independent mobile analytics platform App Annie.

During the Period, 48%, 27% and 22% of the Group’s total revenue was generated from players in Asia, North America, and Europe respectively, which is in line with global mobile games market distribution.

Mobile Games

During the Period, driven by the explosive growth of the blockbuster title “Lords Mobile” and the solid performance of other games, the Group’s half-year revenue hit a record high of US\$273.5 million, more than double the revenue of the corresponding period last year, while net profit of US\$76.2 million for the first half of 2017 has already exceeded 2016’s full year profit. Revenue from mobile games accounted for 99% of total revenue for the Period, compared to 97% for the corresponding period in 2016.

Lords Mobile

Lords Mobile is a real-time war strategy game released in March 2016, with compelling features that attract high ARPU (average revenue per user) players. As the Group's first cross-platform, multi-language, global mega-server game, Lords Mobile has achieved many breakthroughs and won multiple accolades. Amidst vigorous competition worldwide, Lords Mobile was nominated for Best Multiplayer Game at Google Play Awards 2017 in April this year. This follows the Most Competitive Game of 2016 award from Google Play it garnered across 73 countries in December 2016.

During the Period, monthly gross billing of Lords Mobile soared from US\$31.6 million in January 2017 to US\$41.1 million in June 2017. Furthermore, Lords Mobile accounted for 69% of the Group's total revenue in the first half of 2017, more than triple the revenue of previous hit title, Castle Clash. As of 30 June 2017, Lords Mobile ranked top five in 21 countries and regions and top ten in 66 countries and regions in terms of daily revenue on Google Play according to App Annie. Lords Mobile also moved up six spots, from 26th in January to 20th in June, on App Annie's monthly revenue chart for iOS and Google Play. As of 30 June 2017, MAU for the game had surpassed 6.5 million.

Castle Clash

Castle Clash is a fast-paced tower defense game launched in 2013. Most commendably, after 4 years of operation, Castle Clash has amassed 200 million registered users and 8 million MAU, contributing over US\$11.0 million in monthly gross billing during the Period. The Group has successfully extended the lifespan of the game by regularly introducing new game features, consistently providing industry-leading customer services, and building a large community of loyal gamers around the world. According to App Annie, Castle Clash ranked among the top 10 in 17 countries on Google Play as at 30 June 2017.

Prospect

To extend its leadership position, the Group continues to focus on quality, innovation and excellence. The Group is committed to optimize and refine its games to achieve top-notch quality and longevity. There are several strategy games and casual games in the development pipeline. In addition, sequels to Castle Clash and Clash of Lords, as well as a sandbox game named TUG, are all under development.

In view of the increasingly competitive market environment, the Group strives to build on its strength in global operations. The Group has adopted a more diverse approach in its global marketing efforts to increase its market share in the mainstream markets of North America, Europe and Asia. New and hybrid marketing strategies include launching celebrity-endorsed promotional campaigns, releasing live game streaming videos hosted by popular Internet influencers, producing cinematic-quality advertisements, engaging world-famous music artistes to produce the game soundtrack, organizing international gaming tournaments, and more.

On the occasion of its 11th anniversary, the Group has established a business division to produce game merchandise based on its classic IP, with the objective of enhancing IGG's brand image, nurturing players' loyalty, and extending the reach of its games even further.

To stay ahead of technological innovation, the Group has been paying close attention to the application of LBS (location based services) and AR (augmented reality) in mobile games. In addition, the Group will continue to seek potential investment opportunities that could create synergies, accelerate its growth, or provide breakthroughs in its business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was US\$273.5 million, representing an increase of 117% over US\$126.0 million for the corresponding period in 2016. Compared to the second half of 2016, revenue increased by 40%. This is primarily due to the increase in revenue from "Lords Mobile".

Revenue by geographical regions

The following table sets forth a breakdown of the Group's revenue by geographical regions of players for the Period and the corresponding period in 2016, respectively:

	Six months ended 30 June			
	2017		2016	
	US\$'000	%	US\$'000	%
Asia	130,107	47.5	35,484	28.2
North America	73,994	27.1	43,151	34.2
Europe	58,972	21.6	40,756	32.3
Others	10,456	3.8	6,650	5.3
Total	<u>273,529</u>	<u>100.0</u>	<u>126,041</u>	<u>100.0</u>

Revenue by games

The following table sets forth a breakdown of the Group's revenue by games for the Period and the corresponding period in 2016, respectively:

	Six months ended 30 June			
	2017		2016	
	US\$'000	%	US\$'000	%
Lords Mobile	189,520	69.3	17,778	14.1
Castle Clash	61,551	22.5	71,097	56.4
Clash of Lords series	12,378	4.5	20,402	16.2
Others	10,080	3.7	16,764	13.3
Total	<u>273,529</u>	<u>100.0</u>	<u>126,041</u>	<u>100.0</u>

Cost of sales

The Group's cost of sales for the Period was US\$87.4 million, representing an increase of 134% compared to US\$37.4 million for the corresponding period in 2016, primarily due to the increase in channel costs as a result of mobile game business growth.

Gross profit and gross profit margin

The Group's gross profit for the Period was US\$186.1 million, representing an increase of 110% compared to US\$88.6 million for the corresponding period in 2016, primarily due to the increase in revenue from mobile games.

The Group's gross profit margin for the Period was 68%, representing a decrease of 2% compared to 70% for the corresponding period in 2016, primarily due to the increase in channel costs as a result of mobile game business growth. Compared to the second half of 2016, gross profit margin increased by 2%, primarily due to efficiencies achieved through economies of scale.

Selling and distribution costs

The Group's selling and distribution costs for the Period was US\$61.0 million, representing an increase of 79% compared to US\$34.0 million for the corresponding period in 2016, primarily due to additional advertising and promotional activities for "Lords Mobile". Selling and distribution costs-to-revenue ratio for the Period decreased to 22%, from 27% in the corresponding period in 2016.

Administrative expenses

The Group's administrative expenses for the Period were US\$13.8 million, representing an increase of 23% compared to US\$11.2 million for the corresponding period in 2016, primarily due to increases in salaries, performance-based bonuses and staff welfare as a result of business expansion. Administrative expenses-to-revenue ratio for the Period was reduced to 5%, from 9% in the corresponding period last year.

Research and development costs

The Group's research and development costs for the Period was US\$21.7 million, representing an increase of 34% compared to US\$16.2 million for the corresponding period in 2016, primarily due to (i) increases in salaries, performance-based bonuses and share-based compensation expenses for the games development team, and (ii) increases in research and development outsourcing expenses attributable to the enhancement of the games portfolio. Research and development costs-to-revenue ratio for the Period decreased to 8%, from 13% for the corresponding period in 2016.

Income tax expenses

The Group's income tax expenses for the Period was US\$14.8 million, representing an increase of 605% compared to US\$2.1 million for the corresponding period in 2016, primarily due to (i) the increase in profit before tax; (ii) the increase of composite tax rate.

The Company's subsidiary, IGG Singapore has obtained an extension of the Development and Expansion Incentive ("Incentive") from the Economic Development Board of Singapore. Under the Incentive, IGG Singapore will enjoy a concessionary tax rate of 10% on qualifying income from 2017 to 2019, and 10.5% from 2020 to 2021 (Incentive tax rate in 2016: 5%).

Capital expenditure

As a game developer and publisher, the Group's capital expenditures were mainly related to the purchases of property, plant and equipment such as servers, computer equipment and intangible assets, such as software and trademark. Capital expenditures for the Period and the corresponding period in 2016 are set forth below:

	Six months ended 30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Purchase of property, plant and equipment	1,051	1,388
Purchase of intangible assets	26	39

Capital commitment

As at 30 June 2017, the Group did not have any capital commitment (31 December 2016: US\$0.2 million).

Liquidity and capital resources and gearing ratio

As at 30 June 2017, the Group had net current assets of US\$220.6 million (31 December 2016: US\$177.0 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 25.1% (31 December 2016: 19.6%).

As at 30 June 2017, the Group had cash and cash equivalents of US\$237.3 million (31 December 2016: US\$184.1 million).

The Group did not have any bank borrowings or other financing facilities as at 30 June 2017 (31 December 2016: nil).

Operating activities

Net cash flows from operating activities was US\$90.3 million for the Period, compared to US\$23.9 million for the corresponding period in 2016. This was primarily due to the outstanding performance of “Lords Mobile”.

Investing activities

Net cash flows used in investing activities was US\$4.0 million for the Period, compared to US\$3.6 million for the corresponding period in 2016, primarily attributable to the purchase of unlisted equity investments in the first half of 2017.

Financing activities

Net cash flows used in financing activities was US\$33.2 million for the Period, compared to US\$47.3 million for the corresponding period in 2016, primarily attributable to the payment of the second interim and special dividends for the year ended 31 December 2016, as well as the share buy-backs made by the Company during the Period.

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. 45.7% of sales are denominated in currencies other than the functional currency of the operating units making the sales for the Period (for the six months ended 30 June 2016: 64.4%).

The Group currently does not have a 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 significant foreign currency exchange risk in its operation.

Capital structure

The capital structure of the Company consists of ordinary Shares.

Dividend

The Board resolved to declare an interim dividend of HK13.0 cents per ordinary Share (equivalent to US1.7 cents per ordinary Share) and a special dividend of HK22.0 cents per ordinary Share (equivalent to US2.8 cents per ordinary Share). Total dividends per ordinary Share for the Period would be HK35.0 cents per ordinary Share (equivalent to US4.5 cents per ordinary Share), amounting to a total of approximately US\$61 million (for the six months ended 30 June 2016: interim dividend of HK4.3 cents per ordinary Share, equivalent to US0.6 cents per ordinary Share).

The register of members of the Company will be closed from Monday, 11 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of Shares will be registered for the purpose of determining Shareholders' entitlements to the interim dividend and special dividend. The record date for entitlement to the interim dividend and special dividend is on Thursday, 14 September 2017. In order to qualify for the interim dividend 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 Friday, 8 September 2017. The payment date of the interim dividend and special dividend is expected to be on Thursday, 28 September 2017.

Human Resources

As at 30 June 2017, the Group had 1,024 employees (30 June 2016: 910). The table below sets forth the number of employees in each functional area as at 30 June 2017 and 2016 respectively:

<i>Functions</i>	As at 30 June			
	2017		2016	
	<i>Number of Employees</i>	<i>% of total</i>	<i>Number of Employees</i>	<i>% of total</i>
Development Teams	550	53.7	477	52.4
Operation Teams	253	24.7	242	26.6
Supporting Departments	<u>221</u>	<u>21.6</u>	<u>191</u>	<u>21.0</u>
TOTAL	<u>1,024</u>	<u>100.0</u>	<u>910</u>	<u>100.0</u>

The Group's total staff-related costs amounted to US\$23.0 million for the Period (for the six months ended 30 June 2016: US\$17.4 million).

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

The Group has adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme, the Share Award Scheme and the Tapcash Subsidiary Share Option Scheme to motivate and reward Directors and eligible employees. Details of Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and Share Award Scheme are set out in note 11 to the condensed consolidated interim financial statements.

All employees from development, operation and other supporting functions are entitled to training opportunities to develop their professional expertise. Skills are generally acquired and shared through internal consultation and intercommunication, as well as external trainings. Different training opportunities, such as workshops for technical expertise, 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.

Significant investment

During the Period, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2016: nil).

Charges on assets

As at 30 June 2017, no asset of the Group was pledged as a security for bank borrowing or any other financing activities (31 December 2016: nil).

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2017 (31 December 2016: nil).

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

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

COMPETING INTEREST

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

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

Month of Purchase	Number of Shares Purchased	Price per Share		Total Paid <i>HK\$</i>
		Highest	Lowest	
		Price Paid <i>HK\$</i>	Price Paid <i>HK\$</i>	
January 2017	8,504,000	5.92	5.17	48,036,370

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

IMPORTANT EVENT SINCE THE END OF THE PERIOD

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

DEFINITION

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

“Board” or “Board of directors”	the board of directors of the Company
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”, “IGG”, “we”, “us” or “our”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IGG 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
“IP”	Intellectual Property
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“MAU”	monthly active users

“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Period”	six months ended 30 June 2017
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Share(s)”	means ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Tapcash Subsidiary Share Option Scheme”	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
“U.S. dollar(s)” or “US\$” 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 announcement, the English text of this announcement shall prevail over the Chinese text.*

By order of the Board
IGG Inc
Zongjian Cai
Chairman

Hong Kong, 25 August 2017

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