IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 799)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

	Six months ended 30 June			
	2018		2017	
	US$'000	*HK$'000*[2]	*US$'000*	*HK$'000*[2]
	(Unaudited)		*(Unaudited)*	
Revenue	388,495	3,043,586	273,529	2,125,703
Profit for the period	98,389	770,809	76,156	591,839
Profit for the period attributable to equity shareholders of the Company	98,613	772,564	76,708	596,129
Adjusted net income[1]	101,135	792,322	78,386	609,169

– The Group's revenue for the Period was US$388 million, representing an increase of 42% over the revenue of US$274 million for the corresponding period in 2017. The increase was primarily due to the significant revenue growth of the hit title "Lords Mobile".

– The Group's profit for the Period was US$98.4 million, representing an increase of 29% over the profit of US$76.2 million for the corresponding period in 2017.

– The Group's profit attributable to equity shareholders of the Company for the Period was US$98.6 million, representing an increase of 29% over US$76.7 million for the corresponding period in 2017.

– The Group's adjusted net income for the Period was US$101 million, representing an increase of 29% over US$78.4 million for the corresponding period in 2017.

– The Board has resolved to declare an interim dividend of HK17.7 cents per ordinary Share (equivalent to US2.3 cents per ordinary Share), amounting to a total of approximately US$29.5 million (for the six months ended 30 June 2017: interim dividend of HK13.0 cents and special dividend of HK22.0 cents per ordinary Share, in total equivalent to US4.5 cents per ordinary Share).

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

2 *Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK$7.8343=US$1.00 for the Period (for the six months ended 30 June 2017: HK$7.7714=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 2018, together with the comparative figures for the corresponding period in 2017. These results have been reviewed by the Company's audit committee which comprises all three independent non-executive Directors.

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".

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 — unaudited

	Note	**Six months ended 30 June**	
		2018	**2017**
		US$'000	*US$'000*
			(i)
Revenue	3	388,495	273,529
Cost of sales		(115,406)	(87,404)
Gross profit		273,089	186,125
Other net (loss)/income		(2,545)	2,242
Selling and distribution expenses		(97,672)	(60,986)
Administrative expenses		(19,844)	(13,795)
Research and development expenses		(28,902)	(21,713)
Other operating expenses		(8)	(296)
Share of results of associates and joint ventures		(217)	(608)
Profit before taxation	4	123,901	90,969
Income tax expenses	5	(25,512)	(14,813)
Profit for the period		98,389	76,156

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
for the six months ended 30 June 2018 — unaudited

	Note	**Six months ended 30 June**	
		2018	**2017**
		US$'000	*US$'000*
			(i)
Attributable to:			
Equity shareholders of the Company		98,613	76,708
Non-controlling interests		(224)	(552)
Profit for the period		98,389	76,156
Earnings per share	6		
Basic		US$0.0754	US$0.0576
Diluted		US$0.0740	US$0.0561

Note:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018 — unaudited

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
		(i)
Profit for the period	98,389	76,156
Other comprehensive income for the period, after tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(2,312)	337
Available-for-sale equity investment: net movement in the fair value reserve (recycling) (ii)	—	588
Other comprehensive income for the period	(2,312)	925
Total comprehensive income for the period	96,077	77,081
Attributable to:		
Equity shareholders of the Company	96,301	77,633
Non-controlling interests	(224)	(552)
Total comprehensive income for the period	96,077	77,081

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) This amount arose under the accounting policies applicable prior to 1 January 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2018 — unaudited

	Note	At 30 June 2018 US$'000	At 31 December 2017 US$'000 (i)
Non-current assets			
Property, plant and equipment		7,517	7,125
Intangible assets		912	1,418
Other non-current assets		2,362	2,086
Interest in associates and joint ventures		1,438	447
Available-for-sale investments		—	11,770
Other financial assets		8,310	—
		20,539	22,846
Current assets			
Inventories		244	126
Trade and other receivables	7	11,601	13,091
Funds receivable		56,529	60,512
Cash and cash equivalents		282,482	221,892
		350,856	295,621
Current liabilities			
Trade and other payables	8	43,350	35,626
Tax payables		35,131	22,551
Deferred revenue		30,907	32,063
		109,388	90,240
Net current assets		241,468	205,381
Total assets less current liabilities		262,007	228,227
Non-current liabilities			
Deferred tax liabilities		409	409
		409	409
NET ASSETS		261,598	227,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2018 — unaudited

	Note	**At 30 June 2018** *US$'000*	**At 31 December 2017** *US$'000* (i)
CAPITAL AND RESERVES			
Share capital	9(b)	3	3
Reserves		263,174	229,170
Total equity attributable to equity shareholders of the Company		263,177	229,173
Non-controlling interests		(1,579)	(1,355)
TOTAL EQUITY		261,598	227,818

Note:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 — unaudited

		Attributable to equity shareholders of the Company											
	Note	Share capital	Share premium	Share-based payment reserve	Shares held for share award scheme	Share repurchased for cancellation	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Total	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*
Balance at 31 December 2017		3	125,435	7,981	(18,501)	(671)	88	1,577	(811)	114,072	229,173	(1,355)	227,818
Impact on initial application of IFRS 9	2	—	—	—	—	—	—	—	—	(4,901)	(4,901)	—	(4,901)
Adjusted balance at 1 January 2018		3	125,435	7,981	(18,501)	(671)	88	1,577	(811)	109,171	224,272	(1,355)	222,917
Changes in equity for the six months ended 30 June 2018:													
Profit for the period		—	—	—	—	—	—	—	—	98,613	98,613	(224)	98,389
Other comprehensive income		—	—	—	—	—	—	—	(2,312)	—	(2,312)	—	(2,312)
Total comprehensive income		—	—	—	—	—	—	—	(2,312)	98,613	96,301	(224)	96,077
Equity-settled share-based payment		—	—	2,522	—	—	—	—	—	—	2,522	—	2,522
Repurchase of ordinary shares	9(b)	—	—	—	—	(37,034)	—	—	—	—	(37,034)	—	(37,034)
Cancellation of ordinary shares	9(b)	—*	(32,622)	—	—	32,622	—	—	—	—	—	—	—
Exercise of share options	9(b)	—*	708	(198)	—	—	—	—	—	—	510	—	510
Vesting of awarded shares	9(b)	—	210	(1,756)	1,546	—	—	—	—	—	—	—	—
Dividends received for share award schemes		—	—	—	—	—	—	409	—	—	409	—	409
2017 second interim dividend paid	9(a)	—	—	—	—	—	—	—	—	(23,803)	(23,803)	—	(23,803)
Balance at 30 June 2018		3	93,731	8,549	(16,955)	(5,083)	88	1,986	(3,123)	183,981	263,177	(1,579)	261,598

* These amounts represent amounts less than US$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2018 — unaudited

		Attributable to equity shareholders of the Company												
	Note	Share capital	Share premium	Share-based payment reserve	Shares held for share award scheme	Share repurchased for cancellation	Fair value reserve (recycling)	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Total	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*
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 a subsidiary		—	—	—	—	—	—	—	—	—	—	—	(180)	(180)
Equity-settled share-based payment		—	—	1,678	—	—	—	—	—	—	—	1,678	—	1,678
Shares purchased for the share award scheme	9(b)	—	—	—	(5,013)	—	—	—	—	—	—	(5,013)	—	(5,013)
Repurchase of ordinary shares	9(b)	—	—	—	—	(6,193)	—	—	—	—	—	(6,193)	—	(6,193)
Cancellation of ordinary shares	9(b)	—*	(6,193)	—	—	6,193	—	—	—	—	—	—	—	—
Exercise of share options	9(b)	—*	1,622	(572)	—	—	—	—	—	—	—	1,050	—	1,050
Vesting of awarded shares	9(b)	—	27	(839)	812	—	—	—	—	—	—	—	—	—
Dividends received for share award schemes		—	—	—	—	—	—	—	301	—	—	301	—	301
2016 second interim and special dividends paid	9(a)	—	—	—	—	—	—	—	—	—	(23,300)	(23,300)	—	(23,300)
Balance at 30 June 2017		3	156,010	6,649	(15,142)	—	—	88	724	(1,633)	95,393	242,092	(1,013)	241,079

* These amounts represent amounts less than US$1,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in US dollars unless otherwise indicated)

1 Basis of preparation

The 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"). The interim financial statements were authorised for issue on 8 August 2018.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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.

The 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 2017 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 Changes in accounting policies

(a) *Overview*

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses. The adoption of IFRS 15 does not have a significant impact on the Group. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9.

	At 31 December 2017	Impact on initial application of IFRS 9 *(Note 2(b))*	At 1 January 2018
	US$'000	*US$'000*	*US$'000*
Available-for-sale investments	11,770	(11,770)	—
Other financial assets	—	6,943	6,943
Total non-current assets	**22,846**	**(4,827)**	**18,019**
Trade and other receivables	13,091	(46)	13,045
Funds receivable	60,512	(36)	60,476
Total current assets	**295,621**	**(82)**	**295,539**
Deferred tax liabilities	(409)	8	(401)
Total non-current liabilities	**(409)**	**8**	**(401)**
Net assets	**227,818**	**(4,901)**	**222,917**

(b) *IFRS 9, Financial instruments*

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	US$'000
Retained earnings	
Transfer to retained earnings relating to financial assets now measured at FVPL	(4,827)
Recognition of additional expected credit losses on:	
- financial assets measured at amortised cost	(82)
Related deferred tax impact	8
Net decrease in retained earnings at 1 January 2018	(4,901)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IAS 39, equity investments not held for trading with a carrying amount of US$11,770,000 were classified as available-for-sale financial assets. These equity investments are classified as at FVPL under IFRS 9 by the Group. The decreased amount in retained earnings relating to financial assets now measured at FVPL was US$4,827,000.

The measurement categories for all financial liabilities remain the same, and the carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

(ii) *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full; or (ii) the financial asset is past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to US$82,000, which decreased retained earnings by US$74,000 and increased gross deferred tax assets by US$8,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	US$'000
Loss allowance at 31 December 2017 under IAS 39	—
Additional credit loss recognised at 1 January 2018 on:	
- Trade receivables	46
- Funds receivable	36
Loss allowance at 1 January 2018 under IFRS 9	82

(iii) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

- The following assessment has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held.

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) ***IFRS 15, Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

(i) *Timing of revenue recognition*

Previously, revenue arising from sales of premium gaming resource is recognised ratably over an estimated consumption period.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue arising from sales of premium gaming resource.

(d) ***IFRIC 22, Foreign currency transactions and advance consideration***

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3 **Revenue and operating segment information**

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

For the six months ended 30 June 2018, substantially all revenue is generated from online games and recognised over time.

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 2018 (six months ended 30 June 2017: Nil).

(a) ***Revenues by geographical regions***

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Asia	182,179	130,107
North America	106,161	73,994
Europe	84,695	58,972
Oceania	6,689	6,039
South America	6,654	3,215
Africa	2,117	1,202
	388,495	273,529

(b) ***Specified non-current assets***

	30 June 2018	31 December 2017
	US$'000	*US$'000*
Asia	5,791	5,852
North America	1,539	1,138
Others	187	135
	7,517	7,125

4 Profit before taxation

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

(a) ***Staff costs***

	Six months ended 30 June 2018	2017
	US$'000	*US$'000*
Salaries, wages and other benefits	26,625	20,729
Equity-settled share-based payments expenses	2,522	1,678
Contributions to defined contribution retirement plans	814	590
	29,961	22,997

(b) ***Other items***

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
		(i)
Channel cost	108,605	82,417
Operating lease charges in respect of leasing of properties	2,941	2,270
Depreciation	1,146	1,176
Amortisation	626	217
Net foreign exchange loss/(gain)	3,326	(687)
Fair value loss on investments	583	—
Impairment losses on trade and other receivables and funds receivable	31	—
Loss on disposal of property, plant and equipment	5	22

Note:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

5 Income tax

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Current tax - Singapore	23,353	14,724
Current tax - Others	2,151	226
Deferred taxation	8	(137)
	25,512	14,813

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 2018 (six months ended 30 June 2017: 10%).

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

6 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 the Company of US$98,613,000 (six months ended 30 June 2017: US$76,708,000) and the weighted average of 1,307,865,000 ordinary shares (six months ended 30 June 2017: 1,331,218,000 ordinary shares) in issue during the interim period.

Weighted average number of ordinary shares (basic)

	Six months ended 30 June	
	2018	**2017**
	shares	shares
	'000	*'000*
Issued ordinary shares at 1 January	1,328,453	1,349,900
Effect of share award scheme	(22,084)	(17,247)
Effect of share options exercised	6,341	7,216
Effect of repurchase of ordinary shares	(4,845)	(8,651)
Weighted average number of ordinary shares (basic) at 30 June	1,307,865	1,331,218

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of US$98,613,000 (six months ended 30 June 2017: US$76,708,000) and the weighted average number of ordinary shares of 1,332,290,000 (six months ended 30 June 2017: 1,368,337,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2018	**2017**
	shares	shares
	'000	*'000*
Weighted average number of ordinary shares at 30 June	1,307,865	1,331,218
Effect of deemed issue of shares under the Company's share option scheme	17,713	30,452
Effect of deemed issue of shares under the Company's share award scheme	6,712	6,667
Weighted average number of ordinary shares (diluted) at 30 June	1,332,290	1,368,337

7 Trade and other receivables

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

	30 June 2018 *US$'000*	31 December 2017 *US$'000*
Within 3 months	530	735
3 to 6 months	1,137	155
6 months to 1 year	142	—
Trade debtors net of loss allowance	1,809	890
Prepayments	7,395	8,525
Deposits	396	465
Other receivables	2,001	3,211
	11,601	13,091

8 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	30 June 2018 *US$'000*	31 December 2017 *US$'000*
Within 3 months	27,794	16,798
3 to 6 months	15	141
6 months to 1 year	59	22
Over 1 year	81	3
Total creditors	27,949	16,964
Salary and welfare payables	6,217	5,681
Other tax payables	5,174	6,614
Other payables and accruals	4,010	6,367
	43,350	35,626

The trade and other payables are non-interest-bearing and are expected to be settled within three months or repayable on demand.

9 **Capital, reserves and dividends**

*(a) **Dividends***

(i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Interim dividend declared after the interim period of HK17.7 cents per ordinary share (2017: HK13.0 cents per ordinary share)	29,517	22,543
Special dividend declared after the interim period of nil (2017: HK22.0 cents per ordinary share)	—	38,150

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

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Second interim dividend in respect of the previous financial year, approved and paid during the period, of HK14.0 cents per ordinary share (2017: HK8.0 cents per ordinary share)	23,803	13,934
Special dividend in respect of the previous financial year, approved and paid during the period of nil (2017: HK5.4 cents per ordinary share)	—	9,366

(b) *Share capital and reserves*

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

		Number of shares in issue	Issued capital	Share premium	Shares held for share award scheme	Shares repurchased for cancellation
			US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018		1,328,453,433	3	125,435	(18,501)	(671)
Vesting of awarded shares		—	—	210	1,546	—
Share options exercised (note 10)		8,319,250	—*	708	—	—
Repurchase of ordinary shares	i	—	—	—	—	(37,034)
Cancellation of ordinary shares		(21,868,000)	—*	(32,622)	—	32,622
At 30 June 2018		1,314,904,683	3	93,731	(16,955)	(5,083)
At 1 January 2017		1,349,900,187	3	160,554	(10,941)	—
Vesting of awarded shares		—	—	27	812	—
Share options exercised (note 10)		12,310,912	—*	1,622	—	—
Shares purchased for the share award scheme		—	—	—	(5,013)	—
Repurchase of ordinary shares		—	—	—	—	(6,193)
Cancellation of ordinary shares		(8,504,000)	—*	(6,193)	—	6,193
At 30 June 2017		1,353,707,099	3	156,010	(15,142)	—

* These amounts represent amounts less than US$1,000.

(i) During the six months ended 30 June 2018, the Company repurchased 25,154,000 shares on the Stock Exchange with an average price of approximately HK$11.55 per share. The total amount paid on the repurchased shares was HK$290,603,000 (equivalent to approximately US$37,034,000).

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

	Six months ended 30 June 2018		**Six months ended 30 June 2017**	
	Weighted average exercise price *US$*	**Number of options**	**Weighted average exercise price** *US$*	**Number of options**
Outstanding at the beginning of the period	0.0630	22,381,000	0.0619	36,874,412
Exercised during the period	0.0463	(8,021,000)	0.0597	(11,625,412)
Forfeited during the period	—	—	0.0865	(25,000)
Outstanding at the end of the period	0.0723	14,360,000	0.0629	25,224,000
Exercisable at the end of the period	0.0723	14,360,000	0.0629	25,224,000

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

30 June 2018 Number of options	Exercise price per share	Exercise period
	US$	
505,000	0.0500	since IPO to 31-07-2019
5,449,500	0.0525	since IPO to 20-04-2021
20,000	0.0525	since IPO to 02-05-2021
10,000	0.0525	since IPO to 15-05-2021
530,500	0.0865	since IPO to 13-08-2021
1,068,000	0.0865	since IPO to 14-01-2022
3,646,000	0.0865	since IPO to 20-05-2022
3,131,000	0.0865	since IPO to 30-03-2023
14,360,000		

As at 30 June 2018, the Pre-IPO share options outstanding had a weighted average remaining contractual life of 3.52 years (31 December 2017: 3.26 years).

Post-IPO Share Option Scheme

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	HK$		*HK$*	
Outstanding at the beginning of the period	4.79	7,569,666	3.92	7,598,500
Granted during the period	12.14	540,000	10.50	780,000
Exercised during the period	3.72	(298,250)	4.04	(685,500)
Forfeited during the period	5.47	(20,000)	3.90	(15,000)
Outstanding at the end of the period	5.34	7,791,416	4.58	7,678,000
Exercisable at the end of the period	4.17	4,873,666	3.90	3,294,169

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

30 June 2018 Number of options	Exercise price per share *HK$*	Exercise period
143,750	5.47	11-08-2015 to 10-08-2024
542,000	3.51	21-11-2015 to 20-11-2024
4,299,000	3.90	23-03-2016 to 22-03-2025
1,166,666	3.90	03-06-2016 to 22-03-2025
50,000	2.94	10-09-2016 to 09-09-2025
780,000	10.50	20-04-2018 to 19-04-2027
270,000	10.08	17-11-2018 to 16-11-2027
540,000	12.14	04-05-2019 to 03-05-2028
7,791,416		

As at 30 June 2018, the Post-IPO share options outstanding had a weighted average remaining contractual life of 7.22 years (31 December 2017: 7.50 years).

For both Pre-IPO share options and Post-IPO share options, the weighted average closing price of the Company's shares at the date share options were exercised during the period was HK$9.59 (six months ended 30 June 2017: HK$8.58). Share options exercised under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme during the six months ended 30 June 2018 resulted in the issuance of 8,319,250 (six months ended 30 June 2017: 12,310,912) ordinary shares of the Company and share premium of US$708,000 (six months ended 30 June 2017: US$1,622,000), as further detailed in note 9 to the financial statements.

Share award scheme

The share award scheme of the Company was adopted by the Board on 24 December 2013. 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.

Movements in the number of shares held for the share award scheme and awarded shares for the six months ended 30 June 2018 are as follows:

	Number of shares held for the share award scheme not yet granted	**Number of awarded shares granted but not yet vested**	**Total**
At 1 January 2018	12,227,183	10,706,867	22,934,050
Granted	(909,798)	909,798	—
Forfeited	181,511	(181,511)	—
Vested	—	(1,916,499)	(1,916,499)
At 30 June 2018	11,498,896	9,518,655	21,017,551

The weighted average fair value of awarded shares granted during the six months ended 30 June 2018 was HK$10.5 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL PRESENCE

The Group, established in 2006, is a renowned developer and publisher of mobile games with a strong global presence and an international user base of 550 million registered users. Leveraging its success in client-based and browser online games, the Group changed its strategy to target the mobile games market in 2013, and has derived over 90% of its revenue from mobile games since 2015. Over the past five years of effort, the Group has developed a wide range of popular mobile games in 21 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.

IGG is headquartered in Singapore with regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, South Korea, Thailand, Belarus, Indonesia, the Philippines and the United Arab Emirates. The Group has users from more than 200 countries and regions worldwide. Over the past years, IGG has aggressively pursued a strategy of globalization in 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.

The Group has been listed by App Annie as one of the "Top 52 Publishers" for three consecutive years. It was ranked 21st in 2017, up from 27th in 2016 and 34th in 2015. In the first half of 2018, "Lords Mobile", the Group's blockbuster title, achieved another breakthrough by leaping into the world's top 10 highest-grossing games on App Annie's iOS and Google Play combined monthly revenue charts.

During the Period, 47%, 27% and 22% of the Group's total revenue was generated from players in Asia, North America and Europe respectively, in line with global mobile games market distribution.

BUSINESS REVIEW

During the Period, driven by the explosive growth of "Lords Mobile" and the solid performance of other games, the Group's revenue hit a record high of US$388 million, up 42% compared to the corresponding period last year. Net profit rose by 29% to US$98.4 million.

During the Period, IGG launched a number of new localization marketing initiatives to complement its game operations, such as marketing campaigns featuring French tennis star Gaël Monfils (a big Lords Mobile fan), offline tournaments in Asia, soccer-inspired in-game events to leverage the popularity of the 2018 FIFA World Cup, and the IGG game merchandise online store. To further extend its global reach, the Group is preparing to set up local operations in more countries, including Indonesia and Brazil, to harness the potential of these emerging markets. These initiatives widened the appeal of the Group's games and helped achieve significant breakthroughs in many countries, including Brazil, Russia, Turkey, Egypt and Ukraine.

During the past six months, the Group continued to receive recognition and win awards from the industry and capital market, including "Best Overseas Mobile Game Publisher 2017" from SINA Game, "Leading Overseas Game Developer" by 17173.com, and "2017 Golden Hong Kong Stock - Best Value TMT Company" by zhitongcaijing.com. Furthermore, on Finet.HK's "Top 100 Hong Kong Listed Companies Selection 2017", IGG was ranked 40th on the "Top 100 - Comprehensive Strength" list.

Lords Mobile

Lords Mobile is a real-time war strategy game released in March 2016, with compelling features that attract numerous players. As the Group's first cross-platform, multi-language, global mega-server game, Lords Mobile has received many prestigious industry accolades over past two years for its exciting and immersive game play. Amidst vigorous competition from hundreds of thousands of games worldwide, Lords Mobile was selected as "Android Excellence Game of 2017" by Google Play, and was regularly featured on Google Play and Apple's App Store in many countries and regions. Lords Mobile also won "Best International App" at the "MIUI 2017 MI App Awards" by Xiaomi and "The Best Overseas Game" at 17173 World Game Grand Ceremony.

During the Period, average monthly gross billing of Lords Mobile reached a new record high of US$56 million, and revenue for the Period increased by 64% compared to the corresponding period last year. Lords Mobile also moved up to 9th position in June from 14th in January on App Annie's iOS and Google Play combined monthly revenue charts. In addition, Lords Mobile retained its lead as the top-grossing mobile war strategy game, a position it held since August 2017. As of 30 June 2018, according to App Annie's daily grossing ranking, Lords Mobile ranked top five in 55 and top 10 in 88 countries and regions on Google Play, and top five in 27 and top 10 in 45 countries and regions on Apple's App Store. The game has over 130 million registered users and more than 14 million MAU by the end of this Period.

Castle Clash

Castle Clash is a fast-paced tower defense game launched in 2013. Most commendably, after more than five years of operation, the game continues to maintain its popularity. Castle Clash steadily contributed over US$10 million in monthly gross billing during the Period. Frequent content updates and regular addition of new features successfully sustained the game's appeal and extended its lifespan. According to App Annie, Castle Clash ranked among the top 20 in 34 countries and regions on Google Play and in 12 countries and regions on iOS as at 30 June 2018.

Conquerors: Clash of Crowns

Conquerors: Clash of Crowns, an Arabian-style war strategy mobile game, has delivered commendable results in the Middle East region after its launch in July 2017. As at 30 June 2018, its MAU was approximately 1.3 million, and monthly gross billing exceeded US$1.2 million.

PROSPECTS

To extend its leadership position, the Group has always focused 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 games in the pipeline with a variety of genres and themes, including real-time strategy, first-person shooter, casual and sandbox games. In addition, the Group continues to recruit top talents globally. During the Period, the Group initiated its "G-Star" program, recruiting 100 interns from universities around the world. Through technical training and game demo competitions, the program aims to discover and cultivate young people with the passion and talent for the gaming industry.

In view of the increasingly competitive market environment, the Group is dedicated to further strengthen its international presence and continues to establish local operations and customer service teams to be closer to our customers and to better serve them.

To keep abreast of technological innovation, the Group has been paying close attention to the application of location-based services (LBS) and augmented reality (AR) in mobile games. The Group will continue to seek potential merger and acquisition opportunities that could create synergies, accelerate growth and provide breakthroughs in business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was US$388 million, representing an increase of 42% over US$274 million for the corresponding period in 2017. 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 2017, respectively:

	Six months ended 30 June			
	2018		**2017**	
	US$'000	*%*	*US$'000*	*%*
Asia	182,179	46.9	130,107	47.5
North America	106,161	27.3	73,994	27.1
Europe	84,695	21.8	58,972	21.6
Others	15,460	4.0	10,456	3.8
Total	388,495	100.0	273,529	100.0

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 2017, respectively:

	Six months ended 30 June			
	2018		**2017**	
	US$'000	*%*	*US$'000*	*%*
Lords Mobile	311,221	80.1	189,520	69.3
Castle Clash	57,075	14.7	61,551	22.5
Others	20,199	5.2	22,458	8.2
Total	388,495	100.0	273,529	100.0

Cost of sales

The Group's cost of sales for the Period was US$115 million, representing an increase of 32% compared to US$87.4 million for the corresponding period in 2017, 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$273 million, representing an increase of 47% compared to US$186 million for the corresponding period in 2017, primarily due to the increase in revenue from mobile games.

The Group's gross profit margin for the Period was 70%, representing an increase of 2% compared to 68% for the corresponding period in 2017, primarily due to the addition of several new channels with lower channel costs.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period was US$97.7 million, representing an increase of 60% compared to US$61.0 million for the corresponding period in 2017, primarily due to additional advertising and promotional activities for "Lords Mobile". Selling and distribution expenses-to-revenue ratio for the Period increased to 25%, from 22% in the corresponding period in 2017, as more marketing activities were conducted worldwide, especially in countries with untapped potential. The Group achieved breakthroughs in new markets such as Southeast Asia, Middle East and South America during the Period.

Administrative expenses

The Group's administrative expenses for the Period was US$19.8 million, representing an increase of 43% compared to US$13.8 million for the corresponding period in 2017, primarily due to increases in office expenses, salaries, performance-based bonuses and staff welfare as a result of global expansion. Administrative expenses-to-revenue ratio for the Period was kept to 5%, similar to the corresponding period last year.

Research and development expenses

The Group's research and development expenses for the Period was US$28.9 million, representing an increase of 33% compared to US$21.7 million for the corresponding period in 2017, primarily due to increases in salaries, performance-based bonuses and share-based compensation expenses for the games development team. Research and development expenses-to-revenue ratio for the Period was reduced to 7%, from 8% for the corresponding period last year.

Income tax expenses

The Group's income tax expenses for the Period was US$25.5 million, representing an increase of 72% compared to US$14.8 million for the corresponding period in 2017, primarily due to (i) the increase in profit before tax; and (ii) the increase in provision for tax positions in different tax jurisdictions.

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. Non-qualifying income is subject to normal corporate tax rate of 17%.

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 2017 are set forth below:

	Six months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Purchase of property, plant and equipment	1,784	1,051
Purchase of intangible assets	124	26

Capital commitment

As at 30 June 2018 and 31 December 2017, the Group did not have any material capital commitment.

Liquidity and capital resources and gearing ratio

As at 30 June 2018, the Group had net current assets of US$241 million (31 December 2017: US$205 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 29.6% (31 December 2017: 28.5%).

As at 30 June 2018, the Group had cash and cash equivalents of US$282 million (31 December 2017: US$222 million).

The Group did not have any bank borrowings or other financing facilities as at 30 June 2018 (31 December 2017: nil).

Operating activities

Net cash flows from operating activities was US$127 million for the Period, compared to US$90.3 million for the corresponding period in 2017. Increase of net cash flows from operating activities was primarily due to the outstanding performance of "Lords Mobile".

Investing activities

Net cash flows used in investing activities was US$5.1 million for the Period, primarily attributable to the purchase of equity investments and purchase of fixed assets in the first half of 2018. Net cash flows used in investing activities for the corresponding period in 2017 was US$4.0 million.

Financing activities

Net cash flows used in financing activities was US$59.9 million for the Period, primarily attributable to the payment of the second interim dividend for the year ended 31 December 2017, as well as the share buy-backs made by the Company during the Period. Net cash flows used in financing activities for the corresponding period in 2017 was US$33.2 million.

Global trend on privacy and personal data protection

The protection of privacy and personal data becomes an international trend. For example, the Cyber Security Law coming into effect on 1 June 2017 in China and so forth. Among these regulations, the implementation of the European General Data Protection Regulation ("GDPR") on 25 May 2018 following a two year transitional period has drawn the most attention. The Group has appointed a group data protection officer and a European Union representative in accordance with regulations, and is assisted by external professionals to carry out necessary internal control measures in order to ensure compliance with GDPR.

Foreign currency risk

The Group's sales and purchases during the Period were mostly denominated in USD and SGD. The management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. Historically, the Group has not incurred any significant foreign currency exchange loss 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 HK17.7 cents per ordinary Share (equivalent to US2.3 cents per ordinary Share), amounting to a total of approximately US$29.5 million (for the six months ended 30 June 2017: interim dividend of HK13.0 cents and special dividend of HK22.0 cents per ordinary Share, in total equivalent to US4.5 cents per ordinary Share).

The register of members of the Company will be closed from Tuesday, 11 September 2018 to Friday, 14 September 2018, both days inclusive, during which period no transfer of Shares will be registered for the purpose of determining Shareholders' entitlements to the interim dividend. The record date for entitlement to the interim dividend is on Friday, 14 September 2018. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 10 September 2018. The payment date of the interim dividend is expected to be on Friday, 28 September 2018.

Human Resources

As at 30 June 2018, the Group had 1,171 employees (30 June 2017: 1,024). The table below sets forth the number of employees in each functional area as at 30 June 2018 and 2017 respectively:

	As at 30 June			
	2018		**2017**	
Functions	*Number of Employees*	*% of total*	*Number of Employees*	*% of total*
Development Teams	645	55.1	550	53.7
Operation Teams	303	25.9	253	24.7
IT Support Teams	98	8.4	83	8.1
Supporting Departments	125	10.6	138	13.5
Total	1,171	100.0	1,024	100.0

The Group's total staff-related costs amounted to US$30.0 million for the Period (for the six months ended 30 June 2017: US$23.0 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, after evaluating 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 and the Share Award 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 10 to the unaudited interim financial statements.

Over the past twelve years, IGG has emerged as one of the world's leading developer and publisher of mobile games, and successful globalization is a key factor. Close collaboration among multicultural teams around the globe enables the Group to develop games with international appeal. Furthermore, the Group has established comprehensive training processes, offering diverse learning opportunities for employees. Customized training courses have been designed based on actual requirements of the respective R&D, operations, IT and support teams, covering areas such as technical, language and soft skills, and utilizing a combination of classroom training, online learning, on-the-job coaching and experience sharing sessions.

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 2017: nil).

Charges on assets

As at 30 June 2018, no asset of the Group was pledged as a security for bank borrowing or any other financing activities (31 December 2017: nil).

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2018 (31 December 2017: 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. In addition, the balance of power and authorities is ensured by the operation of the Board, which comprises experienced and high caliber individuals. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors.

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

During the Period, 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 report 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

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

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

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

Month of Purchase	Number of Shares Purchased	Price per Share Highest Price Paid	Price per Share Lowest Price Paid	Total Paid
		HK$	*HK$*	*HK$*
April 2018	2,957,000	11.50	11.27	33,804,680
May 2018	10,580,000	12.70	11.98	131,337,700
June 2018	11,617,000	11.34	9.50	125,460,630
Total	**25,154,000**			

All 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 of the Company 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"	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., a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAU"	monthly active users
"Model Code"	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
"Period"	the six months ended 30 June 2018
"PRC" or "China"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"R&D"	research and development

"SGD"	Singapore dollars, the lawful currency of Singapore
"Share(s)"	means ordinary share(s) of US$0.0000025 each in the share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"U.S. dollar(s)" or "US$" or "USD" and "US cents"	United States dollars and cents, respectively, the lawful currency of the United States of America
"%"	per cent

* *If there is any inconsistency between the English and Chinese texts of this 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, 8 August 2018

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.