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## **IGG INC**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 799)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **HIGHLIGHTS**

	<b>Year ended 31 December</b>			
	<b>2017</b>		<b>2016</b>	
	<i>US\$'000</i>	<i>HK\$'000<sup>2</sup></i>	<i>US\$'000</i>	<i>HK\$'000<sup>2</sup></i>
Revenue	607,253	4,731,715	322,087	2,500,039
Profit for the year	155,132	1,208,789	71,623	555,938
Profit for the year attributable to equity shareholders of the Company	156,026	1,215,755	72,616	563,645
Adjusted net income <sup>1</sup>	160,113	1,247,600	74,941	581,692

- The Group's revenue for the year ended 31 December 2017 was US\$607.3 million, representing an increase of 89% as compared to the revenue of US\$322.1 million for the year ended 31 December 2016.
- The Group's profit for the year ended 31 December 2017 was US\$155.1 million, representing an increase of 117% as compared to the profit of US\$71.6 million for the year ended 31 December 2016.
- The Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2017 was US\$156.0 million, representing an increase of 115% as compared to the profit attributable to equity shareholders of the Company of US\$72.6 million for the year ended 31 December 2016.

- The Group's adjusted net income for the year ended 31 December 2017 was US\$160.1 million, representing an increase of 114% as compared to the adjusted net income of US\$74.9 million for the year ended 31 December 2016.
  - The Board has resolved to declare a second interim dividend of HK14.0 cents per ordinary Share (equivalent to US1.8 cents per ordinary Share), which is expected to be paid on or about 19 April 2018. Together with the first 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) paid in September 2017, the total dividends per ordinary Share for the year ended 31 December 2017 would be HK49.0 cents per ordinary Share (equivalent to US6.3 cents per ordinary Share) (31 December 2016: a total of HK17.7 cents per ordinary Share, equivalent to US2.3 cents per ordinary Share).
- 1 Adjusted net income represented profit excluding share-based compensation. It is considered a useful supplement to the consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.*
- 2 Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK\$7.7920=US\$1.00 for the year ended 31 December 2017 (the year ended 31 December 2016: HK\$7.7620=US\$1.00), for illustration purpose only. Such conversions shall not be construed as representations that amount in U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.*

## **ANNUAL RESULTS**

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2017, together with the comparative figures for the corresponding year of 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.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>Revenue</b>	4	607,253	322,087
Cost of sales		<u>(192,661)</u>	<u>(103,184)</u>
<b>Gross profit</b>		414,592	218,903
Other income	5	4,827	1,668
Selling and distribution expenses		(159,016)	(80,102)
Administrative expenses		(33,444)	(23,583)
Research and development expenses		(46,697)	(35,961)
Other operating expenses		(551)	(2,575)
Share of results of an associate and joint ventures		<u>(663)</u>	<u>(1,057)</u>
<b>Profit before taxation</b>	6	179,048	77,293
Income tax expenses	7	<u>(23,916)</u>	<u>(5,670)</u>
<b>Profit for the year</b>		<u>155,132</u>	<u>71,623</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		156,026	72,616
Non-controlling interests		<u>(894)</u>	<u>(993)</u>
<b>Profit for the year</b>		<u>155,132</u>	<u>71,623</u>
<b>Earnings per share</b> (in US\$ per share)	8		
Basic		<u>0.1172</u>	<u>0.0537</u>
Diluted		<u>0.1142</u>	<u>0.0522</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>Profit for the year</b>		<u>155,132</u>	<u>71,623</u>
<b>Other comprehensive income that may be reclassified subsequently to profit or loss (after reclassification adjustments):</b>			
Exchange differences on translation of financial statements of overseas subsidiaries		1,159	(675)
Available-for-sale equity investments: net movement in the fair value reserve		<u>588</u>	<u>(420)</u>
<b>Other comprehensive income for the year</b>		<u>1,747</u>	<u>(1,095)</u>
<b>Total comprehensive income for the year</b>		<u><u>156,879</u></u>	<u><u>70,528</u></u>
<b>Attributable to:</b>			
Equity shareholders of the Company		157,773	71,521
Non-controlling interests		<u>(894)</u>	<u>(993)</u>
<b>Total comprehensive income for the year</b>		<u><u>156,879</u></u>	<u><u>70,528</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		7,125	7,732
Intangible assets		1,418	393
Other non-current assets		2,086	2,226
Interests in an associate and joint ventures		447	661
Available-for-sale investments		11,770	8,118
Deferred tax assets		<u>—</u>	<u>14</u>
		<u>22,846</u>	<u>19,144</u>
<b>Current assets</b>			
Inventories		126	—
Trade and other receivables	9	13,091	7,712
Funds receivable	10	60,512	32,514
Cash and cash equivalents		<u>221,892</u>	<u>184,061</u>
<b>Total current assets</b>		<u>295,621</u>	<u>224,287</u>
<b>Current liabilities</b>			
Trade and other payables	11	35,626	23,251
Tax payable		22,551	4,964
Deferred revenue	13	<u>32,063</u>	<u>19,081</u>
<b>Total current liabilities</b>		<u>90,240</u>	<u>47,296</u>
<b>Net current assets</b>		<u>205,381</u>	<u>176,991</u>
<b>Total assets less current liabilities</b>		<u>228,227</u>	<u>196,135</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>409</u>	<u>480</u>
<b>Total non-current liabilities</b>		<u>409</u>	<u>480</u>
<b>NET ASSETS</b>		<u>227,818</u>	<u>195,655</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14(b)	3	3
Reserves		<u>229,170</u>	<u>195,933</u>
<b>Total equity attributable to equity shareholders of the Company</b>		229,173	195,936
<b>Non-controlling interests</b>		<u>(1,355)</u>	<u>(281)</u>
<b>TOTAL EQUITY</b>		<u>227,818</u>	<u>195,655</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2017*

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	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
<b>Balance at 1 January 2017</b>	<u>3</u>	<u>160,554</u>	<u>6,382</u>	<u>(10,941)</u>	<u>—</u>	<u>(588)</u>	<u>88</u>	<u>423</u>	<u>(1,970)</u>	<u>41,985</u>	<u>195,936</u>	<u>(281)</u>	<u>195,655</u>
<b>Changes in equity for year ended 31 December 2017:</b>													
Profit for the year	—	—	—	—	—	—	—	—	—	156,026	156,026	(894)	155,132
Other comprehensive income	—	—	—	—	—	588	—	—	1,159	—	1,747	—	1,747
<b>Total comprehensive income</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>588</u>	<u>—</u>	<u>—</u>	<u>1,159</u>	<u>156,026</u>	<u>157,773</u>	<u>(894)</u>	<u>156,879</u>
Losing control of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(180)	(180)
Equity-settled share-based payment	—	—	4,087	—	—	—	—	—	—	—	4,087	—	4,087
Shares purchased for the share award scheme	—	—	—	(9,492)	—	—	—	—	—	—	(9,492)	—	(9,492)
Repurchase of ordinary shares	—	—	—	—	(37,749)	—	—	—	—	—	(37,749)	—	(37,749)
Cancellation of ordinary shares	—*	(37,078)	—	—	37,078	—	—	—	—	—	—	—	—
Exercise of share options	—*	2,189	(786)	—	—	—	—	—	—	—	1,403	—	1,403
Vesting of awarded shares	—	(230)	(1,702)	1,932	—	—	—	—	—	—	—	—	—
Dividends received for share award scheme	—	—	—	—	—	—	—	1,154	—	—	1,154	—	1,154
2016 second interim and special dividend paid	—	—	—	—	—	—	—	—	—	(23,300)	(23,300)	—	(23,300)
2017 first interim and special dividend paid	—	—	—	—	—	—	—	—	—	(60,639)	(60,639)	—	(60,639)
<b>Balance at 31 December 2017</b>	<u>3</u>	<u>125,435</u>	<u>7,981</u>	<u>(18,501)</u>	<u>(671)</u>	<u>—</u>	<u>88</u>	<u>1,577</u>	<u>(811)</u>	<u>114,072</u>	<u>229,173</u>	<u>(1,355)</u>	<u>227,818</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2017*

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	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	
<b>Balance at 1 January 2016</b>	3	186,870	5,316	(5,829)	(1,669)	(168)	88	153	(1,295)	7,055	190,524	730	191,254
<b>Changes in equity for year ended 31 December 2016:</b>													
Profit for the year	—	—	—	—	—	—	—	—	—	72,616	72,616	(993)	71,623
Other comprehensive income	—	—	—	—	—	(420)	—	—	(675)	—	(1,095)	—	(1,095)
<b>Total comprehensive income</b>	—	—	—	—	—	(420)	—	—	(675)	72,616	71,521	(993)	70,528
Equity-settled share-based payment	—	—	2,325	—	—	—	—	—	—	—	2,325	—	2,325
Acquisition of non-controlling interests	—	(19)	—	—	—	—	—	—	—	—	(19)	(18)	(37)
Shares purchased for the share award scheme	—	—	—	(5,994)	—	—	—	—	—	—	(5,994)	—	(5,994)
Repurchase of ordinary shares	—	—	—	—	(25,574)	—	—	—	—	—	(25,574)	—	(25,574)
Cancellation of ordinary shares	—*	(27,243)	—	—	27,243	—	—	—	—	—	—	—	—
Exercise of share options	—*	863	(294)	—	—	—	—	—	—	—	569	—	569
Vesting of awarded shares	—	83	(965)	882	—	—	—	—	—	—	—	—	—
Dividends received for share award scheme	—	—	—	—	—	—	—	270	—	—	270	—	270
2015 second interim and special dividend paid	—	—	—	—	—	—	—	—	—	(30,158)	(30,158)	—	(30,158)
2016 interim dividend paid	—	—	—	—	—	—	—	—	—	(7,528)	(7,528)	—	(7,528)
<b>Balance at 31 December 2016</b>	<u>3</u>	<u>160,554</u>	<u>6,382</u>	<u>(10,941)</u>	<u>—</u>	<u>(588)</u>	<u>88</u>	<u>423</u>	<u>(1,970)</u>	<u>41,985</u>	<u>195,936</u>	<u>(281)</u>	<u>195,655</u>

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



## **Notes to the financial statements**

*(Expressed in US dollars unless otherwise indicated)*

### **1 Corporate and Group information**

IGG Inc (the “Company”) was incorporated in the Cayman Islands on 16 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 October 2013 (the “Listing Date”). The shares of the Company were transferred to the Main Board of the Stock Exchange on 7 July 2015.

The principal activity of the Company is investment holding. The Group was principally engaged in the development and operation of online games in the international market. There has been no significant change in the Group’s principal activities during the year.

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

### **2 Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

The Group currently is operating its online games business in Mainland China through Fuzhou Skyunion Digital Co., Ltd. (“Fuzhou Tianmeng”), a structured entity. Certain structured contracts (“Structured Contracts”) were effective among Fuzhou Tianmeng, Fuzhou TJ Digital Entertainment Co., Ltd. (“Fuzhou Tianji”), Mr. Zongjian Cai and Mr. Yuan Chi (the “Registered Shareholders”) who are the legal shareholders of Fuzhou Tianmeng and also the core founders of the Company. The Structured Contracts for Fuzhou Tianmeng became effective in November 2007.

The Structured Contracts provide the Group through Fuzhou Tianji with effective control over Fuzhou Tianmeng. In particular, Fuzhou Tianji undertakes to provide Fuzhou Tianmeng with certain technical services as required to support their operations. In return, the Group is entitled to substantially all of the operating profits and residual benefits generated by Fuzhou Tianmeng through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in Fuzhou Tianmeng to the Group or the Group’s designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Fuzhou Tianmeng have also been pledged by the Registered Shareholders to the Group in respect of the continuing obligations of Fuzhou Tianmeng. Fuzhou Tianji intends continuously to provide to or assist Fuzhou Tianmeng in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with Fuzhou Tianmeng and has the ability to affect those returns through its power over Fuzhou Tianmeng.

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain available- for- sale investments which have been measured at fair value.

The functional currency of the Company is US Dollars (“US\$”). These financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 3 **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.

#### *Geographical information*

The following table sets out information about the geographical locations of the Group’s revenue from external customers and 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:

#### Revenue by geographical regions

	<b>2017</b>	<b>2016</b>
	<i>US\$’000</i>	<i>US\$’000</i>
Asia	296,049	105,092
North America	159,352	99,224
Europe	128,874	102,061
Others	<u>22,978</u>	<u>15,710</u>
	<u>607,253</u>	<u>322,087</u>

Specified non-current assets

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Asia	5,852	6,336
North America	1,138	1,296
Others	<u>135</u>	<u>100</u>
	<u><u>7,125</u></u>	<u><u>7,732</u></u>

4 **Revenue**

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Online game revenue	606,946	321,606
Others	<u>307</u>	<u>481</u>
	<u><u>607,253</u></u>	<u><u>322,087</u></u>

The Group's customer base was diversified and no customer had transactions with the Group exceeding 10% of the Group's revenue during the financial periods presented.

5 **Other income**

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Gain on disposal of available-for-sale investment	832	—
Government grants*	1,001	918
Bank interest income	958	598
Exchange gain	1,821	—
Dividend income from available-for-sale investments	—	9
Others	<u>215</u>	<u>143</u>
	<u><u>4,827</u></u>	<u><u>1,668</u></u>

\* Government grants were received mainly for subsidising technology export businesses and compensation for enterprises in cultural industry. There are no unfulfilled conditions or contingencies relating to the grants.

## 6 Profit before taxation

Profit before taxation is arrived at after charging:

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>(a) Staff costs</b>		
Salaries, wages and other benefits	45,201	32,602
Equity-settled share-based payment expenses	4,087	2,325
Contributions to defined contribution retirement plan	<u>1,307</u>	<u>1,046</u>
	<u>50,595</u>	<u>35,973</u>
<b>(b) Other items</b>		
Channel cost	181,712	90,668
Operating lease charges in respect of leasing of properties	5,037	4,524
Amortisation	329	597
Depreciation	2,385	2,245
Net foreign exchange (gain) / loss	(1,821)	2,427
Auditors' remuneration		
-audit services	350	497
-non-audit services	46	204
Loss on disposal of property, plant and equipment	41	34

7 **Income tax**

(a) *Taxation in the consolidated statement of profit or loss represents:*

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>Current tax</b>		
Provision for the year	23,873	5,652
Under-provision in respect of prior years	<u>100</u>	<u>—</u>
	<u>23,973</u>	<u>5,652</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(57)</u>	<u>18</u>
	<u><u>23,916</u></u>	<u><u>5,670</u></u>

Taxation for subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Profit before taxation	<u>179,048</u>	<u>77,293</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	35,887	14,887
Tax effect of non-deductible expenses	17	304
Tax effect of non-taxable income	(508)	(43)
Tax effect of unused tax losses not recognised	803	1,520
Tax losses utilised	(316)	(639)
Statutory tax concession	(11,804)	(9,841)
Super deduction for qualified research and development expenses	(263)	(518)
Under-provision in prior years	<u>100</u>	<u>—</u>
Actual tax expense	<u><u>23,916</u></u>	<u><u>5,670</u></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 preferential tax rate of 10% on qualifying income derived during the year ended 31 December 2017 (2016: 5%).

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Sky Union, LLC (“IGG US”), a subsidiary in the United States, is subject to federal income tax at gradual rates ranging from 15% to 39%. In addition, IGG US is subject to California state income tax at a rate of 8.84%.

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25%. Fuzhou Tianji was entitled to 50% reduction in taxation for the years ended 31 December 2016 and 2017. Fuzhou Tianmeng was granted the High and New Technology Enterprise Status in September 2015 with a valid period of 3 years, which entitles Fuzhou Tianmeng to a reduced income tax rate of 15% during the valid period.

## 8 Earnings per share

### (a) *Basic earnings per share*

The calculation of the basic earnings per share amount is based on the profit attributable to equity shareholders of the Company of US\$156,026,000 (2016: US\$72,616,000) and the weighted average of 1,330,836,000 ordinary shares (2016: 1,353,477,000 shares) in issue during the year calculated as follows.

Weighted average number of ordinary shares:

	<b>2017</b>	<b>2016</b>
	'000	'000
Issued ordinary shares at 1 January	1,349,900	1,396,712
Effect of share award scheme	(16,471)	(13,897)
Effect of shares options exercised	10,846	6,340
Effect of repurchase of ordinary shares	<u>(13,439)</u>	<u>(35,678)</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,330,836</u></u>	<u><u>1,353,477</u></u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US\$156,026,000 (2016: US\$72,616,000) and the weighted average number of ordinary shares of 1,365,755,000 shares (2016: 1,390,429,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	<b>2017</b>	<b>2016</b>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares at 31 December	1,330,836	1,353,477
Effect of deemed issue of shares under the Company's share option scheme	27,782	34,733
Effect of deemed issue of shares under the Company's share award scheme	<u>7,137</u>	<u>2,219</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,365,755</u></u>	<u><u>1,390,429</u></u>

9 **Trade and other receivables**

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivable	890	1,004
Prepayments	8,525	3,844
Deposits	465	267
Other receivables	<u>3,211</u>	<u>2,597</u>
	<u><u>13,091</u></u>	<u><u>7,712</u></u>

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

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	735	613
3 to 6 months	155	48
6 months to 1 year	—	78
Over 1 year	<u>—</u>	<u>265</u>
	<u><u>890</u></u>	<u><u>1,004</u></u>

No provision has been made for impairment of trade and other receivables during the year ended 31 December 2017 (year ended 31 December 2016: Nil).

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Neither past due nor impaired	<u>735</u>	<u>613</u>
Less than 3 months past due	155	48
3 to 6 months past due	—	78
6 months to 1 year past due	<u>—</u>	<u>265</u>
	<u><u>890</u></u>	<u><u>1,004</u></u>

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

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



## 10 Funds receivables

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

As at 31 December 2017, all the funds receivable were aged within three months and no allowance for doubtful debts was provided for the funds receivable (31 December 2016: Nil).

## 11 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:

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	16,798	12,442
3 to 6 months	141	785
6 months to 1 year	22	480
Over 1 year	<u>3</u>	<u>237</u>
Total creditors	16,964	13,944
Salary and welfare payables	5,681	3,413
Other tax payables	6,614	543
Other payables and accruals	<u>6,367</u>	<u>5,351</u>
	<u><u>35,626</u></u>	<u><u>23,251</u></u>

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

## 12 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”).

(a) *Pre-IPO Share Option Scheme*

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

	<b>2017</b>		<b>2016</b>	
	<i>Weighted average exercise price US\$</i>	<i>Number of options</i>	<i>Weighted average exercise price US\$</i>	<i>Number of options</i>
Outstanding at the beginning of the year	0.0619	36,874,412	0.0599	46,681,500
Exercised during the year	0.0602	(14,468,412)	0.0516	(9,617,088)
Forfeited during the year	0.0865	<u>(25,000)</u>	0.0865	<u>(190,000)</u>
Outstanding at the end of the year	0.0630	<u>22,381,000</u>	0.0619	<u>36,874,412</u>
Exercisable at the end of the year	0.0630	<u>22,381,000</u>	0.0598	<u>33,944,412</u>

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

<i>2017 Number of options</i>	<i>Exercise price per share US\$</i>	<i>Exercise period</i>
516,000	0.0081	since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
2,015,000	0.0500	since IPO to 31-07-2019
6,369,000	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
878,500	0.0865	since IPO to 13-08-2021
1,158,000	0.0865	since IPO to 14-01-2022
3,771,000	0.0865	since IPO to 21-05-2022
<u>3,623,500</u>	0.0865	since IPO to 31-03-2023
<u>22,381,000</u>		

As at 31 December 2017, the Pre-IPO share options outstanding had a weighted average remaining contractual life of 3.26 years (2016: 4.19 years).

(b) *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.

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 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.

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

	<u>2017</u>		<u>2016</u>	
	<i>Weighted average exercise price HK\$</i>	<i>Number of options</i>	<i>Weighted average exercise price HK\$</i>	<i>Number of options</i>
Outstanding at the beginning of the year	3.92	7,598,500	3.90	7,966,000
Granted during the year	10.39	1,050,000	—	—
Exercised during the year	4.04	(1,028,834)	3.55	(137,500)
Forfeited during the year	5.00	<u>(50,000)</u>	3.55	<u>(230,000)</u>
Outstanding at the end of the year	4.79	<u>7,569,666</u>	3.92	<u>7,598,500</u>
Exercisable at the end of the year	3.89	<u>3,276,335</u>	3.95	<u>2,279,086</u>

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

<i>31 December 2017</i>			
<i>Number of options</i>	<i>Exercise price per share</i>	<i>Exercise period</i>	
	<i>HK\$</i>		
172,000	5.47	11-08-2015 to 11-08-2024	
617,000	3.51	21-11-2015 to 21-11-2024	
4,474,000	3.90	23-03-2016 to 23-03-2025	
1,166,666	3.90	03-06-2016 to 03-06-2025	
90,000	2.94	10-09-2016 to 10-09-2025	
780,000	10.50	20-04-2018 to 19-04-2027	
<u>270,000</u>	10.08	17-11-2018 to 16-11-2027	
<u><u>7,569,666</u></u>			

As at 31 December 2017, the Post-IPO share options outstanding had a weighted average remaining contractual life of 7.50 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 year was HK\$9.21 (year ended 31 December 2016: HK\$4.02). Share options exercised under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme during the year ended 31 December 2017 resulted in the issuance of 15,497,246 (2016: 9,754,588) ordinary shares of the Company and share premium of US\$2,189,000 (2016: US\$863,000).

(c) ***Share award scheme***

The share award scheme of the Company ("Share Award Scheme") 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 year ended 2017 are as follows:

	<b>Number of shares held for the Share Award Scheme not yet granted</b>	<b>Number of awarded shares granted but not yet vested</b>	<b>Total</b>
At 1 January 2017	8,471,852	9,411,638	17,883,490
Purchased	7,817,000	—	7,817,000
Granted	(4,628,220)	4,628,220	—
Forfeited	566,551	(566,551)	—
Vested	<u>—</u>	<u>(2,766,440)</u>	<u>(2,766,440)</u>
At 31 December 2017	<u>12,227,183</u>	<u>10,706,867</u>	<u>22,934,050</u>
Vested but not transferred as at 31 December 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 year ended 31 December 2017 was HK\$10.78 per share.

The awarded shares granted during the year ended 31 December 2017 and outstanding as at the period then ended will vest in anniversary of grant date with each of 25% being vested annually. The consideration paid by the Company, including any directly attributable incremental costs, is deducted from the Group's equity.

### 13 **Deferred revenue**

Deferred revenue mainly represents the unamortised portion of income received in respect of Premium Gaming Resource paid by game players for online game services.

## 14 Dividend and share capital

### (a) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the year

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Interim dividend declared and paid of HK13.0 cents per ordinary share (2016: HK4.3 cents per ordinary share)	22,523	7,528
Special dividend declared and paid of HK22.0 cents per ordinary share (2016: Nil)	<u>38,116</u>	<u>—</u>
	60,639	7,528
Second interim dividend proposed after the end of the reporting period of HK14.0 cents per ordinary share (2016: HK8.0 cents per ordinary share)	23,850	13,934
Special dividend proposed after the end of the reporting period of Nil (2016: HK5.4 cents per ordinary share)	<u>—</u>	<u>9,366</u>

The second interim dividend proposed after the end of the reporting period 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 year

	<b>2017</b>	<b>2016</b>
	<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>
	<u>23,300</u>	<u>30,158</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 2016	1,396,711,599	3	186,870	(5,829)	(1,669)
Acquisition of non-controlling interests	—	—	(19)	—	—
Vesting of awarded shares	—	—	83	882	—
Share options exercised (note 12)	9,754,588	—*	863	—	—
Shares purchased for the share award scheme	—	—	—	(5,994)	—
Repurchase of ordinary shares	—	—	—	—	(25,574)
Cancellation of ordinary shares	<u>(56,566,000)</u>	<u>—*</u>	<u>(27,243)</u>	<u>—</u>	<u>27,243</u>
At 31 December 2016 and 1 January 2017	1,349,900,187	3	160,554	(10,941)	—
Vesting of awarded shares	—	—	(230)	1,932	—
Share options exercised (note 12)	15,497,246	—*	2,189	—	—
Shares purchased for the share award scheme (i)	—	—	—	(9,492)	—
Repurchase of ordinary shares (ii)	—	—	—	—	(37,749)
Cancellation of ordinary shares	<u>(36,944,000)</u>	<u>—*</u>	<u>(37,078)</u>	<u>—</u>	<u>37,078</u>
At 31 December 2017	<u>1,328,453,433</u>	<u>3</u>	<u>125,435</u>	<u>(18,501)</u>	<u>(671)</u>

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

- (i) During the year ended 31 December 2017, 7,817,000 shares have been purchased by the trustee from the open market pursuant to the Share Award Scheme at an average price of approximately HK\$9.47 per share with total consideration of HK\$73,998,045 (equivalent to approximately US\$9,492,000).
- (ii) During the year ended 31 December 2017, the Company repurchased 37,624,000 shares on the Stock Exchange with an average price of approximately HK\$7.83 per share. The total amount paid on the repurchased shares of HK\$294,509,856 (equivalent to approximately US\$37,749,000) was paid wholly out of retained profits.

## 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 international customer base of 480 million registered users. Leveraging its success in client-based and browser online games, the Group refocused its strategy to target the mobile games market in 2013, and since 2015 has derived over 90% of its revenue from mobile games. More than five years of relentless effort has resulted in 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.

IGG is headquartered in Singapore with regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, South Korea, Thailand, Belarus, the Philippines and the United Arab Emirates. 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.

For 2017, 49%, 26% and 21% 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 2017, IGG further expanded its scale and marketing initiatives across the globe by establishing more local operation teams. Effective regional to global marketing campaigns enabled the Group to achieve significant breakthroughs in many countries, including South Korea, Vietnam, Indonesia, Thailand, France, the United Kingdom, Brazil and Saudi Arabia. One innovative strategy was to invite Hollywood composer Klaus Badelt and the London Symphony Orchestra to produce soundtracks for Lords Mobile. Other marketing initiatives included endorsement by top-tier celebrities, live-streaming of games by internet influencers, co-marketing campaigns with globally renowned smartphone manufacturers and telecom giants.



In 2017, the Group continued to gain global recognition. IGG has been listed by App Annie as one of the “Top 52 Publishers” since 2015. It was ranked 21st in 2017, up from 27th in 2016 and 34th in 2015. In addition, the Group ranked 19th in the PocketGamer.biz “Top 50 Mobile Game Developers of 2017”, and 16th on the list of “BrandZ™ Top 50 Chinese Global Brand Builders 2018” by Google. Meanwhile, IGG received various awards, including the “Google: Fastest Growing Mobile Game Brand” and the “2017 China Financial Market Listed Companies Award: Best Investment Value on Shenzhen-Hong Kong Stock Connect and Best Investor Relations”.

During the Year, driven by the explosive growth of the blockbuster title “Lords Mobile” and the solid performance of other games, the group’s revenue hit a record high of US\$607.3 million up 89% compared to last year. Net profit soared 117% to US\$155.1 million.

#### *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 awarded “Android Excellence Game of 2017” by Google Play and “the Top 10 Most Popular Games Overseas” by China Game Industry Annual Conference. After the launch of the new “Familiar System” feature in December, the game garnered Google Play recommendations across 83 countries and regions.

During the Year, monthly gross billing of Lords Mobile climbed from US\$30 million to more than US\$50 million. Lords Mobile also moved up from 26th position in January to 16th position in December, on App Annie’s iOS and Google Play combined monthly revenue charts. According to App Annie’s statistics, Lords Mobile became the mobile strategy game with highest monthly gross revenue in August, a position it still holds. As of 28 February 2018, according to App Annie’s daily grossing ranking, Lords Mobile ranked top five in 57 and top 10 in 86 countries and regions on Google Play, and top five in 27 and top 10 in 50 countries and regions on Apple’s App Store. The game has nearly 100 million registered users and in excess of 10 million MAU.

### *Castle Clash*

Castle Clash is a fast-paced tower defense game launched in 2013. Most commendably, after over four years of operation, the game continues to enjoy lasting popularity with an average MAU of 8 million in 2017. Castle Clash contributed average over US\$11 million in monthly gross billing during the Year. 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 20 in 37 countries and regions on Google Play as at 28 February 2018.

### *Sweet Maker*

Sweet Maker, launched in December 2017, is a puzzle game for the large number of casual gamers worldwide. Being the world's first match-3 game with user-generated content where players can design and create their own custom levels, Sweet Maker has been frequently recommended by Apple and Google.

## 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, casual games, survival games and sandbox games in the pipeline. In addition, sequels to Castle Clash and Clash of Lords are also under development.

In view of the increasingly competitive market environment, the Group strives to build on its strength in global operations by recruiting top local talents and adopting a more diverse approach to its global marketing efforts to increase market share in the important markets of Southeast Asia, North America, Europe and the Middle East.

At the start of 2018, IGG opened its online store of game merchandise offering a series of exquisite products inspired by its classic game IP, with the goal of extending digital gaming experiences into the real world, enhancing IGG's brand image, nurturing players' loyalty, and expanding 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.

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

## KEY FINANCIAL INFORMATION

	Year ended 31 December	
	2017	2016
	US\$'000	US\$'000
Revenue	607,253	322,087
Profit for the year	155,132	71,623
Profit for the year attributable to equity shareholders of the Company	156,026	72,616
Adjusted net income*	160,113	74,941

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the year ended 31 December 2017 was US\$607.3 million, representing an increase of 89% over US\$322.1 million for the year ended 31 December 2016. This is primarily due to the increase in revenue from "Lords Mobile".

### *Revenue by geographical regions*

The following table sets forth the breakdown of the Group's revenue by geographical regions of players for the years ended 31 December 2017 and 2016, respectively:

	Year ended 31 December			
	2017		2016	
	US\$'000	%	US\$'000	%
Asia	296,049	48.8	105,092	32.6
North America	159,352	26.2	99,224	30.8
Europe	128,874	21.2	102,061	31.7
Others	<u>22,978</u>	<u>3.8</u>	<u>15,710</u>	<u>4.9</u>
<b>Total</b>	<u>607,253</u>	<u>100.0</u>	<u>322,087</u>	<u>100.0</u>

### *Revenue by games*

The following table sets forth a breakdown of the Group's revenue by games for the years ended 31 December 2017 and 2016, respectively:

	<b>Year ended 31 December</b>			
	<b>2017</b>		<b>2016</b>	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Lords Mobile	437,784	72.1	124,419	38.6
Castle Clash	124,239	20.5	135,656	42.1
Others	<u>45,230</u>	<u>7.4</u>	<u>62,012</u>	<u>19.3</u>
<b>Total</b>	<u>607,253</u>	<u>100.0</u>	<u>322,087</u>	<u>100.0</u>

### **Cost of sales**

The Group's cost of sales for the year ended 31 December 2017 was US\$192.7 million, representing an increase of 87% compared to that of US\$103.2 million for the year ended 31 December 2016, primarily due to the increase in channel costs as a result of the expansion of the mobile game business.

### **Gross profit and gross profit margin**

The Group's gross profit for the year ended 31 December 2017 was US\$414.6 million, representing an increase of 89% compared to that of US\$218.9 million for the year ended 31 December 2016, primarily due to the increase in revenue from mobile games.

The Group's gross profit margin for the year ended 31 December 2017 was 68%, consistent with last year.

### **Selling and distribution expenses**

The Group's selling and distribution expenses for the year ended 31 December 2017 were US\$159.0 million, representing an increase of 99% compared to that of US\$80.1 million for the year ended 31 December 2016, primarily due to additional advertising and promotional activities for "Lords Mobile". Selling and distribution expenses-to-revenue ratio for the year ended 31 December 2017 was 26%, slightly increased from 25% for the year ended 31 December 2016.

### **Administrative expenses**

The Group's administrative expenses for the year ended 31 December 2017 were US\$33.4 million, representing an increase of 42% compared to that of US\$23.6 million for the year ended 31 December 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 year ended 31 December 2017 was reduced to 6%, from 7% for the year ended 31 December 2016.

### **Research and development expenses**

The Group's research and development expenses for the year ended 31 December 2017 were US\$46.7 million, representing an increase of 30% compared to that of US\$36.0 million for the year ended 31 December 2016, 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 year ended 31 December 2017 decreased to 8%, from 11% for the year ended 31 December in 2016.

### **Income tax expenses**

The Group's income tax expenses for the year ended 31 December 2017 were US\$24.0 million, representing an increase of 321% compared to that of US\$5.7 million for the year ended 31 December 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 years ended 31 December 2017 and 2016 are set forth as below:

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Purchase of property, plant and equipment	2,029	4,904
Purchase of intangible assets	341	91

### **Capital commitment**

As at 31 December 2017, the Group had a capital commitment of approximately US\$0.1 million (31 December 2016: US\$0.2 million).

### **Liquidity and capital resources and gearing ratios**

As at 31 December 2017, the Group had net current assets of US\$205.4 million (31 December 2016: US\$177.0 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 28.5% (31 December 2016: 19.6%).

As at 31 December 2017, the Group had cash and cash equivalents of US\$221.9 million (31 December 2016: US\$184.1 million).

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

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

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash generated from operating activities	172,236	74,426
Net cash used in investing activities	(6,166)	(7,051)
Net cash used in financing activities	<u>(128,623)</u>	<u>(68,415)</u>
<b>Net change in cash and cash equivalents</b>	37,447	(1,040)
Cash and cash equivalents at 1 January	184,061	185,503
Effect of foreign exchange rate changes	<u>384</u>	<u>(402)</u>
<b>Cash and cash equivalents at 31 December</b>	<u><u>221,892</u></u>	<u><u>184,061</u></u>

## **Operating activities**

Net cash generated from operating activities was US\$172.2 million for the year ended 31 December 2017, compared to US\$74.4 million for the year ended 31 December 2016. This was primarily due to the outstanding performance of “Lords Mobile”.

## **Investing activities**

Net cash used in investing activities was US\$6.2 million for the year ended 31 December 2017, compared to US\$7.1 million for the year ended 31 December 2016, primarily attributable to the purchase of unlisted equity investments and purchase of fixed assets.

## **Financing activities**

Net cash used in financing activities was US\$128.6 million for the year ended 31 December 2017, compared to that of US\$68.4 million for the year ended 31 December 2016, primarily attributable to the payment of the second interim and special dividends for the year ended 31 December 2016 and the first interim and special dividends for the year ended 31 December 2017, as well as the share buy-backs made by the Company during the year ended 31 December 2017.

## **Foreign currency risk**

The Group’s sales and purchases during the year ended 31 December 2017 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.

## **Legal compliance**

As the Group is continuously expanding its businesses worldwide, it is required to comply with the new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group’s business, such as laws relating to data protection, internet information security, intellectual property and gaming industry.

Protecting user data is the top priority of operations, and the Group is fully aware that any misuse, loss or leakage of user information could have a negative impact on affected users and the Group's reputation, even lead to potential legal action against the Group. The Group is committed to safeguarding the security of users' personal data. In this regard, when collecting and processing such data, the Group strives to provide the highest level of protection, among others, formulated policies and control measures. In addition, information security is ensured through effective management systems, encryption, access restrictions and process protocols.

### **Capital structure**

The capital structure of the Company comprised of ordinary Shares.

### **Dividend**

The Board resolved to declare a second interim dividend of HK14.0 cents per ordinary Share (equivalent to US1.8 cents per ordinary Share). Together with the first 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) paid in September 2017, the total dividends per ordinary Share for the year ended 31 December 2017 would be HK49.0 cents per ordinary Share (equivalent to US6.3 cents per ordinary Share) (31 December 2016: the total dividends of HK17.7 cents per ordinary Share, equivalent to US2.3 cents per ordinary Share).

### **Share repurchase**

The Group had repurchased 37,624,000 shares during the year 2017, amounting to US\$37.7 million. Taken into account the declared dividends of US\$84.5 million for the year 2017, total payment of share repurchase and declared dividends would be approximately US\$122.2 million, which was 79% of the net profit for the Year. (For the year ended 31 December 2016, the Group repurchased 52,622,000 shares, amounting to US\$25.6 million. The total amount paid on share repurchase and declared dividends was US\$56.4 million, representing 79% of net profit of year 2016).

### **Human resources**

As at 31 December 2017, the Group had 1,056 employees (31 December 2016: 969). The table below sets forth the number of employees in each functional area as at 31 December 2017 and 2016 respectively:



<b>Functions</b>	<b>As at 31 December</b>			
	<b>2017</b>		<b>2016</b>	
	<i>Number of Employees</i>	<i>%</i>	<i>Number of Employees</i>	<i>%</i>
Development Teams	569	53.9	528	54.5
Operation Department	278	26.3	236	24.4
IT Support Team	88	8.3	72	7.4
Supporting Departments	<u>121</u>	<u>11.5</u>	<u>133</u>	<u>13.7</u>
<b>Total</b>	<u><u>1,056</u></u>	<u><u>100.0</u></u>	<u><u>969</u></u>	<u><u>100.0</u></u>

The Group's total staff-related costs amounted to US\$50.6 million for the year ended 31 December 2017 (31 December 2016: US\$38.4 million).

### **Significant investment**

During the year ended 31 December 2017, the Group did not hold any significant investment in equity interest in any other company (31 December 2016: nil).

### **Material acquisition and disposal of subsidiaries and associates and joint ventures**

During the year ended 31 December 2017, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures (31 December 2016: nil).

### **Charges on assets**

As at 31 December 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 significant contingent liabilities as at 31 December 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 year ended 31 December 2017, 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 considerable independence element in its composition.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

During the year ended 31 December 2017, 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 year ended 31 December 2017.

## **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE**

The headquarters and principal place of business in Singapore of the Group were changed to 80 Pasir Panjang Road, #18-84, Mapletree Business City, Singapore 117372 with effect from 9 March 2018.

## **AUDIT COMMITTEE**

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017 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 year ended 31 December 2017.

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

The Company had bought back the Shares on the Stock Exchange during the year ended 31 December 2017 with details as follows:

Month of Purchase	Number of Shares Purchased	Price per Share		Total Paid <i>HK\$</i>
		Highest Price Paid <i>HK\$</i>	Lowest Price Paid <i>HK\$</i>	
January 2017	8,504,000	5.92	5.17	48,036,370
September 2017	1,671,000	10.50	9.98	17,104,830
October 2017	4,580,000	11.00	10.62	49,872,654
November 2017	6,463,000	8.25	7.46	51,639,410
December 2017	<u>16,406,000</u>	8.00	7.45	127,856,592
<b>Total</b>	<b><u>37,624,000</u></b>			

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 year ended 31 December 2017, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 7,817,000 Shares.

## IMPORTANT EVENT SINCE THE END OF THE FINANCIAL YEAR

There was no important event of the Company since the end of the year ended 31 December 2017 up to the date of this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.igg.com>). The annual report for the year ended 31 December 2017 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.

## **SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The figures in respect of the annual announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the annual results announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company is scheduled to be held on Friday, 4 May 2018. A notice convening the annual general meeting will be despatched to the Shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 27 April 2018 to Friday, 4 May 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of Shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 26 April 2018.

For determining entitlement to the second interim dividend, the register of members of the Company will be closed from Monday, 26 March 2018 to Wednesday, 28 March 2018, both days inclusive, during which period no transfer of Shares will be registered for the purpose of determining shareholders' entitlements to the second

interim dividend. The record date for entitlement to the second interim dividend is on Wednesday, 28 March 2018. In order to qualify for the second interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 March 2018. The payment date of the second interim dividend is expected to be on Thursday, 19 April 2018.

## DEFINITIONS

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
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
“GEM”	the Growth Enterprise Market of the Stock Exchange

“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
“IGG US”	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Company
“IP”	Intellectual Property
“Listing Date”	18 October 2013, on which dealings in the Shares first commence on the GEM
“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
“PRC” or “China”	the People’s Republic of China
“SGD”	Singapore dollar, 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
“Year”	the year ended 31 December 2017
“%”	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 of  
**IGG Inc**  
**Zongjian Cai**  
*Chairman*

Hong Kong, 9 March 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.*