2017 ANNUAL REPORT

IGG
I GOT GAMES

Incorporated in the Cayman Islands with limited liability

IGG INC Stock Code: 799

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zongjian Cai *(Chairman and Chief Executive Officer)*
Mr. Yuan Xu
Mr. Hong Zhang
Ms. Jessie Shen
Mr. Feng Chen

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

Dr. Horn Kee Leong
Mr. Dajian Yu
Ms. Zhao Lu

BOARD COMMITTEES

Audit Committee

Dr. Horn Kee Leong *(Chairman)*
Mr. Dajian Yu
Ms. Zhao Lu

Nomination Committee

Dr. Horn Kee Leong *(Chairman)*
Mr. Zongjian Cai
Mr. Dajian Yu
Ms. Zhao Lu

Remuneration Committee

Ms. Zhao Lu *(Chairman)*
Mr. Zongjian Cai
Mr. Dajian Yu

JOINT COMPANY SECRETARIES

Ms. Jessie Shen
Ms. Yin Ping Yvonne Kwong *(a fellow of The Hong Kong Institute of Chartered Secretaries)*

AUTHORISED REPRESENTATIVES

Mr. Zongjian Cai
Ms. Jessie Shen
Ms. Yin Ping Yvonne Kwong

REGISTERED OFFICE

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AUDITOR

KPMG

LEGAL ADVISER AS TO HONG KONG LAWS

Mayer Brown JSM

CORPORATE INFORMATION

LEGAL ADVISER AS TO PRC LAWS
Jingtian & Gongcheng

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Cayman Islands

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Computershare Hong Kong Investor Services Limited
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PRINCIPAL BANKS
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Overseas Chinese Banking Corporation Limited
United Overseas Bank Limited
Wells Fargo Bank, N.A.
The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS CONSULTANTS
Wonderful Sky Financial Group Limited

CHAIRMAN'S STATEMENT

Looking back over the past decade, as one of the first gaming companies focus on the overseas market, IGG accurately read the pulse of the fast-evolving global games market, successfully transiting from licensee to developer-publisher, and shifted from PC games to browser games and then to mobile games. In the face of intense global competition in the past year, we have achieved outstanding results with persistence and diligence. We are grateful to all shareholders for your support and trust over the years, especially to those who are also our passionate gamers.

We are proud that, through the concerted efforts of every colleague, our games are so popular worldwide, while the company's financial performance reached new heights. In 2017, the Group's revenue surged 89% year-over-year to US$610 million and net profit soared 117% year-over-year to US$150 million, both record highs. IGG stands out amongst its peers and continues to win awards globally. The Group has been listed by App Annie as one of the "Top 52 Publishers" since 2015, and made a big step up in global ranking to 21st in 2017, up from 27th in 2016 and 34th in 2015. In addition, the Group was 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. This follows its award of "Fastest Growing Mobile Game Brand".

In the past year, IGG achieved remarkable breakthroughs from R&D to operations. Lords Mobile, the Group's marquee title, amassed nearly 100 million users and over 10 million MAU around the world through regular content updates, while revenue continues to grow robustly two years after its launch. Monthly gross billing leapt from over US$30 million at the beginning of the year to more than US$50 million, propelled by significant breakthroughs in major markets, including South Korea, Vietnam, Indonesia, Thailand, France, the United Kingdom, Brazil and Saudi Arabia. According to the third-party analytics firm App Annie, Lords Mobile became the top-grossing war strategy mobile game worldwide (in terms of monthly revenue) in the third quarter of 2017, and continues to hold top position. It was ranked 16th globally in terms of revenue for iOS and Google Play by App Annie, up from 26th in January 2017. Lords Mobile has also received critical acclaim, including "Android Excellence Game of 2017" from Google Play and the "Top 10 Most Popular Games Overseas" at the China Game Industry Annual Conference.

The Group's other blockbuster game, Castle Clash, is displaying remarkable longevity and continues to average over US$11 million in monthly gross billing four and half years after its launch. For new games, the Group released a puzzle game, Sweet Maker, in December 2017. As the first match-3 game with user-generated content, Sweet Maker is gaining popularity among casual gamers.

The Group's remarkable achievement would not have been possible without the support of the 480 million registered users across more than 200 countries and regions. We will continue to put our users at the center of everything we do, and strive to deliver the best possible game experience to them. In 2017, we invited renowned Hollywood composer Klaus Badelt and the London Symphony Orchestra to produce soundtracks for Lords Mobile. In another first, IGG's online store opened its doors to the public in early 2018 after many months of preparation. We have been working hard on a number of new games and will be releasing them in 2018. At the same time, we will continue to set up local operations and customer service teams to be closer to our customers and to better serve them.

CHAIRMAN'S STATEMENT

As a global gaming company, IGG has over a thousand employees across the world. The corporate spirit of "Innovators at Work, Gamers at Heart" is shared by all employees, keeping everyone cohesive and motivated. We offer creative and conducive work environments, overseas training opportunities, team building activities, and generous performance incentives to get the most out of each staff's individual talents and maximize their potential, giving everyone a sense of belonging and making everyone feel valued. Going forward, we will strengthen our core competencies and strive to create more original, entertaining games that will endure the test of time.

Zongjian Cai
Chairman and Executive Director

9 March 2018

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, which is 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" released 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".

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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	**22,978**	**3.8**	15,710	4.9
Total	**607,253**	**100.0**	322,087	100.0

Revenue by games

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

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

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:

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
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).

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
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	**(128,623)**	(68,415)
Net change in cash and cash equivalents	**37,447**	(1,040)
Cash and cash equivalents at 1 January	**184,061**	185,503
Effect of foreign exchange rate changes	**384**	(402)
Cash and cash equivalents at 31 December	**221,892**	184,061

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:

	As at 31 December			
	2017		2016	
Functions	**Number of Employees**	**%**	Number of Employees	%
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	**121**	**11.5**	133	13.7
Total	**1,056**	**100.0**	969	100.0

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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zongjian Cai (蔡宗建), aged 40, was appointed as an executive Director of the Company on 31 October 2007 and is the chief executive officer of the Group. Mr. Cai is one of the founders of the Group and is primarily responsible for the corporate strategic planning and overall business development of the Group. Mr. Cai also acts as a director of the Company's subsidiaries, including Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司), Fuzhou Skyunion Digital Co., Ltd. (福州天盟數碼有限公司) and Fuzhou TJ Digital Entertainment Co., Ltd. (福州天極數碼有限公司). Mr. Cai has approximately 18 years of experience in online game industry. He worked at Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機信息網絡技術有限公司) as a vice president from May 2000 to November 2003 and piloted the development of 17173.com. Mr. Cai also worked as the chief executive officer of 17173.com, which is acquired by Sohu.com Inc., a company listed on NASDAQ (Stock Code: SOHU), from November 2003 to January 2005 and a consultant for both Beijing Sohu New Era Information Technology Co., Ltd.* (北京搜狐新時代信息技術有限公司) and 17173.com from January 2005 to June 2005. Mr. Cai graduated from Fuzhou University (福州大學) with a college diploma in computer and accounting in June 1998.

Mr. Yuan Xu (許元), aged 43, was appointed as an executive Director of the Company on 21 August 2015 and is the Group's Chief Operating Officer. Mr. Xu also acts as a director of Nerd Kingdom, Inc., a subsidiary of the Company. Mr. Xu has approximately 18 years of experience in project and corporate management. He joined the Group in September 2007 and is primarily responsible for global operation strategies of the Group. Prior to joining the Group, Mr. Xu worked as a graduate researcher at University of California, Santa Cruz, from September 1999 to July 2004. He also worked at Nanoconduction Inc as a project leader from September 2004 to June 2007. Mr. Xu graduated from Beijing University of Technology* (北京工業大學) with a bachelor's degree in applied physics in July 1998. He also graduated from University of California, Santa Cruz, with a degree of doctor of philosophy in electrical engineering in June 2004.

Mr. Hong Zhang (張竑), aged 46, was appointed as an executive Director on 21 August 2015 and is the Group's chief technology officer and senior vice president of global operations. Mr. Zhang has approximately 21 years of experience in information technology industry. He joined the Group in December 2008 and is primarily responsible for the overall technology operation of the Group. Prior to joining the Group, Mr. Zhang worked at Charles Schwab as a senior staff technology from August 2000 to November 2005. He was also employed by Corporate Computer Services Inc. from November 2005 to November 2008 as a software engineer, assigned to Barclays Global Investors as an information technology consultant. Mr. Zhang graduated from Zhejiang University* (浙江大學) with a bachelor's degree in engineering in June 1994, a master's degree in engineering in June 1997. He also graduated from University of California, San Francisco, with a master's degree in science in September 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Jessie Shen (沈潔蕾), aged 47, was elected as an executive Director on 3 June 2016 and is the Group's chief financial officer and one of the joint company secretaries. Ms. Shen has approximately 21 years of experience in accounting and corporate finance. She was appointed as the chief financial officer of the Group on 10 November 2014. She joined the Group in March 2009 as the senior vice president of finance and has been primarily responsible for corporate finance, accounting and tax management of the Group. Prior to joining the Group, she worked as an auditor at Diwan, Ernst & Young from July 1992 to August 1994, and a finance associate manager of Aurora Corporation, a company listed on the Taiwan Stock Exchange (Stock Code: 2373), from March 1995 to March 1998 and from August 2001 to January 2002. Ms. Shen also held finance and company secretary positions at Rock Mobile Group from January 2003 to March 2007. She worked at Neo Solar Power Corp., a company listed on Taiwan Stock Exchange (Stock Code: 3576), as a finance manager from December 2007 to March 2009. Ms. Shen graduated from Tunghai University with a bachelor's degree in accounting in June 1992. She also graduated from Rutgers, The State University of New Jersey with a master's degree in business administration in October 1999. Ms. Shen passed the exam of a certified public accountant in both Washington State and Taiwan, and was a member of the Institute of Internal Auditors and a member of Taiwan Institute of Internal Auditors* (中華民國內部稽核協會).

Mr. Feng Chen (陳豐), aged 45, was elected as an executive Director on 3 June 2016 and was one of the individual investors investing in the Company prior to the listing of the Company on the Stock Exchange in 2013. In April 2014, Mr. Chen joined the Company as the senior vice president of corporate strategy and has been responsible for leading several strategic investments made by the Company in external startups and internal incubated projects. Mr. Chen also acts as a director of the Company's joint ventures, Tap Media Technology Inc. and Chinese ABC Ltd., as well Nerd Kingdom, Inc., a subsidiary of the Company. Prior to joining the Company, from July 1996 to August 2001, Mr. Chen served as a senior design engineer at Broadcom Corporation (currently known as Broadcom Ltd.), an American fabless semiconductor company, and was responsible for the development of one of the world's first DOCSIS standard compliant cable modem chipset. From May 2002 to June 2007, Mr. Chen served various positions at NetDragon Websoft Inc. ("NetDragon"), an online game developer and operator in the PRC listed on the Stock Exchange, including the senior vice president of overseas business development from May 2002 to June 2007, during which Mr. Chen was responsible for (i) spearheading the launch of free-to-play MMORPG game, Conquer Online, in early 2004, and grew it to an MMORPG game with over 60,000 concurrent peak players and over US$2.0 million monthly revenue; (ii) negotiating and executing of a number of strategic investments and mergers and acquisitions, including the investment of IDG Technology Venture Fund into NetDragon and the sale of 17173.com by NetDragon to Sohu Inc. at a consideration of US$20.5 million; and (iii) taking a key role in the initial public offering of NetDragon. In August 2007, Mr. Chen founded Ingle Games Ltd., a publisher that aimed at publishing MMORPG games developed by Chinese game developers in the western market, and served as the chief executive officer of Ingle Games Ltd. from August 2007 to December 2010. From March 2011 to March 2014, Mr. Chen served as the senior vice president of overseas development at 91.com, an online game developer in the PRC, and led the launch of MoboMarket, the premier third party Android app market, in the worldwide market. Mr. Chen graduated from University of California, Los Angeles with a Master of Science Degree in electrical engineering in 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Yuan Chi (池元), aged 61, was redesignated as a non-executive Director on 21 August 2015. Mr. Chi is one of the founders of the Group and also acts as a director of the Company's subsidiaries, including Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司) and Fuzhou TJ Digital Entertainment Co., Ltd. (福州天極數碼有限公司). Mr. Chi has approximately 20 years of experience in the information technology industry. Prior to joining the Group, Mr. Chi worked as the general manager of Fujian Window Network Information Co., Ltd.* (福建之窗網絡信息有限公司) (www.66163.com) from April 1998 to June 2007. He was the vice president of Fujian Rongji Software Co., Ltd.* (福建榕基軟件股份有限公司), a company listed on Shenzhen Stock Exchange (Stock Code: 002474), from November 2000 to September 2003. Mr. Chi also worked at Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機信息網絡技術有限公司) from October 2003 to November 2007. Mr. Chi graduated from Fuzhou University with a bachelor's degree in water resources and hydropower engineering in July 1982 and a master's degree in hydraulic structure in March 1990.

Independent Non-executive Directors

Dr. Horn Kee Leong (梁漢基), aged 66, was appointed as an independent non-executive Director on 16 September 2013. Dr. Leong is currently the chairman of CapitalCorp Partners Private. He has been Singapore's Non-resident High Commissioner to Cyprus since July 2014. Since 1983, until prior to joining CapitalCorp Partners Private Limited, Dr. Leong held various management positions including as an executive director and consultant of Far East Organization Centre Pte. Ltd., the chief executive officer of Yeo Hiap Seng Ltd, the managing director of Orchard Parade Holdings Limited, a corporate finance director of Rothschild (Singapore) Limited. From 1977 to 1983, Dr. Leong held various positions at the Ministry of Finance and at the Ministry of Trade & Industry of Singapore. He was a member of Parliament of Singapore from 1984 to 2006. He was Singapore's non-resident ambassador to Mexico from September 2006 to February 2013. In addition to the above, Dr. Leong held directorships in the following listed companies.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Name of company	Position
14 August 2015 - present	Tat Hong Holdings Ltd, listed on Singapore Stock Exchange	Chairman of the board
October 2013 - present	VIVA Industrial Trust Management Pte Ltd, which is the management company of Viva Industrial Trust listed on Singapore Stock Exchange	Chairman of the board
June 2013 - present	SPH Reit Management Pte Ltd, which is the management company of SPH Reit listed on Singapore Stock Exchange	Chairman of the board
4 November 2010 - 22 May 2015	Amtek Engineering Ltd, listed on Singapore Stock Exchange	Independent non-executive director
19 January 2001 - 13 August 2015	Tat Hong Holdings Ltd, listed on Singapore Stock Exchange	Independent non-executive director
30 June 2000 - 31 December 2015	Wilmar International Limited, listed on Singapore Stock Exchange	Independent non-executive director

Dr. Leong graduated from Loughborough University with a bachelor's degree of technology in production engineering and management in July 1975. He completed distance learning and obtained a bachelor degree of science in economics from University of London in August 1979 and he also finished part time study and obtained a bachelor degree of arts in Chinese Language and Literature from Beijing Normal University* (北京師範大學) in March 2009. Dr. Leong graduated from the European Institute of Business Administration (INSEAD) with a master's degree of business administration in 1980 and he also finished part time study and obtained a master degree of business research from the University of Western Australia in September 2009. He also graduated from the University of Western Australia with the degree of doctor of business administration in September 2013.

Mr. Dajian Yu (佘大堅), aged 69, was appointed as an independent non-executive Director on 16 September 2013. Mr. Yu has over 17 years of experience in venture capital investment and in senior management in semiconductor, electronic, IT and pharmaceutical industries. Since 2010, he has been the vice president of Silicon Valley China Venture Management LLC and the director of several portfolio companies, Efficient Drivetrains Inc, Consensic International Inc., and Tricopian, LLC. He has also been the partner of BayHill Partners since 1999. Mr. Yu held senior management positions at several companies, including director of operations at General Parametrics Corporation from 1985 to 1996, vice president at Topology Corporation from 1996 to 1999, and vice president of Fuzhou Tianmeng from 2009 to 2010. Mr. Yu graduated from South China University of Technology (華南理工大學) (formerly known as South China Technology College* (華南工學院)) with a bachelor's degree in electrical engineering in July 1982.

Ms. Zhao Lu (陸 釗), aged 50, was appointed as an independent non-executive Director on 16 September 2013. Ms. Lu is currently the president of Fujian New Media Animation Game Associate* (福建省動漫遊戲協會新媒體產業聯盟) and also serves as the vice president of Amphenol AssembleTech (Ningde) Co., Ltd* (安費諾(寧德)電子有限公司). She was the general manager of Fuzhou Lingdong Network Science and Technology Co., Ltd.* (福州靈動網絡科技有限公司) from February 2009 to December 2012 and the general manager of Tian Liang Customer Service* (天亮客服) of Fujian NetDragon Computer Information Network Technology Co., Ltd.* (福建網龍計算機網絡信息技術有限公司) from December 2003 to February 2009. Ms. Lu graduated from Beijing University of Posts and Telecommunications* (北京郵電大學) (formerly known as Beijing Institute of Posts and Telecommunications* (北京郵電學院)) with a bachelor's degree in compunication in July 1989.

SENIOR MANAGEMENT

Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen are also members of senior management. Please refer to their biography details in the subsection headed "Executive Directors" above.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view towards being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, while focusing on areas such as internal control and risk management, as well as fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company.

The Company believes that effective corporate governance is essential to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the year ended 31 December 2017, except for the deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the code provisions of the Corporate Governance Code.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and overall business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and 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.

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management of the Group. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board currently comprises nine Directors, consisting of five executive Directors, Mr. Zongjian Cai (the chairman of the Board), Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen, one non-executive Director, Mr. Yuan Chi, and three independent non-executive Directors, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the year ended 31 December 2017, the Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Board Diversity Policy

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

Model Code

During the year ended 31 December 2017, the Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2017.

Independent Non-Executive Directors

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

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

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

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development for the year ended 31 December 2017:

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

Directors' and Officers' Insurance

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

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. During the year ended 31 December 2017, ten meetings of the Board and one general meeting were held.

The individual attendance record of each Director at the meetings of the Board and the general meeting of the Company during the year ended 31 December 2017 is set out below:

Name of Director	**Attendance/ Number of Board Meeting(s) eligible to attend**	**Attendance/ Number of General Meeting eligible to attend**
Executive Directors		
Mr. Zongjian Cai *(Chairman and Chief Executive Officer)*	10/10	1/1
Mr. Yuan Xu	10/10	1/1
Mr. Hong Zhang	10/10	1/1
Ms. Jessie Shen	10/10	1/1
Mr. Feng Chen	10/10	1/1
Non-executive Director		
Mr. Yuan Chi	10/10	0/1
Independent non-executive Directors		
Dr. Horn Kee Leong	10/10	1/1
Mr. Dajian Yu	10/10	1/1
Ms. Zhao Lu	10/10	1/1

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

Appointments, Re-election and Removal of Directors

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

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

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

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

Board Committees

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

Audit Committee

The Board has established an audit committee on 5 December 2008. The audit committee has adopted an amended terms of reference on 6 November 2015 with reference to the changes relating to risk management in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and to supervise the financial reporting process and risk management and internal control systems of the Group. The audit committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Dajian Yu, and Ms. Zhao Lu.

The audit committee had reviewed the Group's audited annual results for the year ended 31 December 2016 and the Group's unaudited interim results for the six months ended 30 June 2017, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed the internal control systems of the Group during the year ended 31 December 2017. During the Year, the audit committee also held a meeting with the external auditors without the presence of any members of management of the Company.

During the year ended 31 December 2017, two meetings were held by the audit committee. The individual attendance record of each member of the audit committee at the meetings of the audit committee is set out below:

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

Remuneration Committee

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

For the year ended 31 December 2017, the remuneration committee surveyed peer companies' remuneration packages and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed granting of share options under the Share Option Scheme and Tapcash Share Option Scheme and granting of awarded shares under the Share Award Scheme and benefit plans to key employees.

For the year ended 31 December 2017, four meetings were held by the remuneration committee. The individual attendance record of each member of the remuneration committee at the meetings of the remuneration committee is set out below:

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

Nomination Committee

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

During the year ended 31 December 2017, one meeting was held by the nomination committee to review the structure, size and composition of the Board and the independence of the independent non-executive directors. The individual attendance record of each member of the nomination committee at the meetings of the nomination committee is set out below:

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

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with the Listing Rules, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report. During the year ended 31 December 2017, the Board reviewed and determined the policy for the corporate governance of the Company.

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong. Ms. Yin Ping Yvonne Kwong, vice president of SW Corporate Services Group Limited, an external service provider, has been engaged by the Company as its company secretary to act jointly with Ms. Jessie Shen. The primary contact person at the Company is Ms. Jessie Shen. Both Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong have informed the Company that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2017. Their trainings satisfy the requirements under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

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

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

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

Auditor's Remuneration

The audit committee of the Board is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages KPMG as its external auditor. Details of the fees paid/payable to KPMG during the year ended 31 December 2017 are as follows.

	USD' 000
Audit services	350
Non-audit services	46
Total	**396**

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

The Board is responsible for overseeing the management in the design, implementation and monitoring of such systems, and reviewing and maintaining appropriate and effective risk management and internal control systems. During the year ended 31 December 2017, the Board has conducted quarterly reviews of the risk management and internal control systems of the Group and considered the risk management and internal control systems of the Group have been implemented effectively and are adequate. Such reviews covered financial, compliance and operational controls. The Board has also discussed the business risk, financial risk, compliance risk, operational risk and other risks.

In addition, the Board has reviewed and considered that the resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit, legal and financial reporting functions are adequate and effective and have complied with the provisions of the Corporate Governance Code during the year ended 31 December 2017.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

Procedures by which enquiries may be put to the Board

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

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

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

Constitutional Documents

There has been no change in the Company's constitutional documents for the year ended 31 December 2017.

Communications with Shareholders

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

CORPORATE SOCIAL RESPONSIBILITY REPORT

1 ABOUT THIS REPORT

Report Overview

This report is the second corporate social responsibility report issued by IGG, which is prepared based on the principle of objectivity and transparency and focuses on the disclosure of information on the economic, social and environmental performance of the Group for the period from 1 January 2017 to 31 December 2017.

Basis of Preparation

This report mainly makes reference to the revised Environmental, Social and Governance ("ESG") Reporting Guide issued by the Hong Kong Stock Exchange in December 2015. The contents of this report are determined based on a set of systematic procedures, such as identifying and prioritizing key stakeholders, identifying and prioritizing key ESG issues, determining the scope of corporate social responsibility report, collecting relevant materials and data, compiling the report based on relevant information, and reviewing information in the report.

Scope of the Report

The disclosure scope of this report is consistent with the 2017 annual report of IGG Inc.

Explanation for Abbreviations

In order to facilitate the presentation and reading, for the purpose of this report, each of "IGG", "the Group" and "we" refers to IGG Inc and its subsidiaries.

Data Source and Reliability Assurance

The data and information in this report are mainly from the relevant documents, reports and statistic results of IGG. IGG, in the name of the board of directors (the "Board"), undertakes that this report contains no false statements or misleading statements and is responsible for the truthfulness, accuracy and completeness of its contents.

Confirmation and Approval

This report was approved by the Board on 9 March 2018 upon confirmation by the management.

2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

2.1 Environmental, Social and Governance Mechanism

IGG ESG Management Structure and Responsibilities

Work level	Functions	Duties and responsibilities
Decision-making level	Senior management	1. Discuss major issues and future development of ESG 2. Identify relevant risks 3. Formulate objectives and strategies 4. Review working results 5. Assess effectiveness of overall working mechanism 6. Assign relevant duties and responsibilities to various departments and subsidiaries
Communication level	Responsible persons from various departments and subsidiaries	1. Implement strategies and report working status to the decision-making level 2. Develop a detailed work plan according to overall ESG strategy 3. Assign relevant working groups with respective functions 4. Provide suggestions to decision-making level on areas of improvements for the coming year
Execution level	Working groups of various departments and subsidiaries	1. Complete work assigned by communication level 2. Collect, organize and report relevant information on a regular basis 3. Provide timely feedback and suggestions 4. Take responsibility for internal communication on ESG related matters

2.2 Stakeholder Engagement

IGG has continuously maintained good communication with stakeholders through a variety of channels to understand and take the initiative to respond to the expectations of different stakeholders. The opinions of stakeholders are important for us to actively fulfill our social responsibilities, implement good governance, and improve on our sustainable development capability.

Category of and Engagement with Stakeholders

Category of stakeholders	**Expectations**	**Main communication methods**
Customers	• Privacy protection • Games and operation quality • Anti-cheating and fairness in games	• Customer service channels such as live chat, hotline and email • Interaction on social media • Offline player gatherings • Game show events
Government and regulatory authorities	• Compliant operations • Promoting regional economic development • Creating employment opportunities	• Participation in relevant government meetings and cooperation projects • Paying close attention to the updates of laws and regulations • Cooperation with organizations such as higher education institutions and disability federations
Shareholders	• Investment return • Information transparency	• Shareholders' meetings • Announcements and information disclosures • Investor relations hotline and mailbox • Company official website
Employees	• Protection of employee rights • Career development • Occupational health and safety	• Team building and training activities • Interview communication • Internal employee forums • Internal feedback collection mechanism

Category of stakeholders	Expectations	Main communication methods
Suppliers and business partners	• Long-term partnership • Fair competition	• Regular communication and negotiation
Industry associations	• Fair competition • Exchange and cooperation	• Participation in industry meetings and exchange activities
Non-governmental organizations and public service organizations	• Support community development • Leverage the industry expertise to fulfill social responsibilities	• Cooperation with commonweal organizations

2.3 Identification of Material Issues

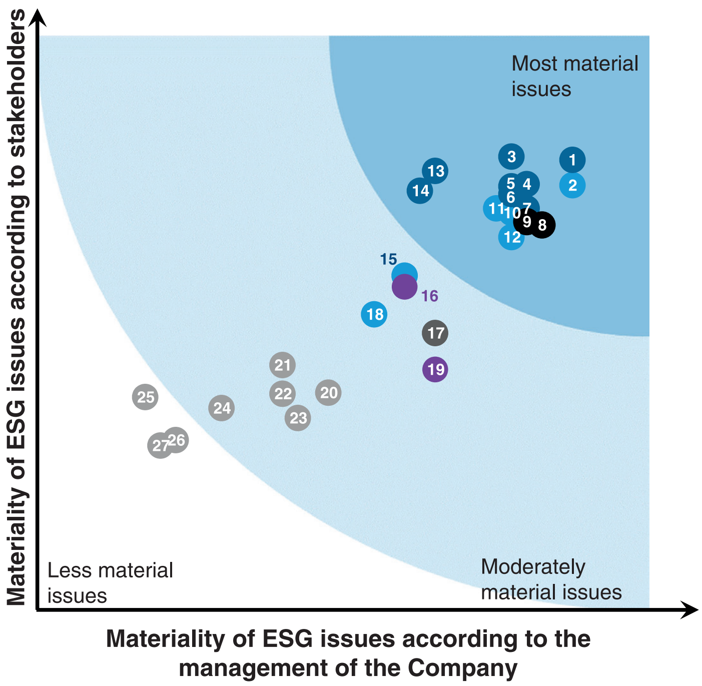
During the preparation of this report, the Group has conducted assessments on its related ESG issues to have better understanding of the expectation by stakeholders, so as to formulate the framework on disclosure and contents of disclosure in this report, in response to the requests of the stakeholders.

Our assessment on major issues comprised of the following procedures:

Identification of stakeholders	Identify each of the important stakeholders and formulate specific participation plans for them.
Participation of stakeholders	Conduct in-depth study of stakeholders through questionnaires and interviews to understand their concerns and expectations on the Group in respect of ESG issues.
Prioritization of material issues	Analyze and prioritize the ESG issues after quantification of the result on study of the stakeholders.
Confirmation by the management	Submit the analysis result to the management for final confirmation.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Materiality Analysis Matrix of ESG Issues



List of ESG Issues — Product Responsibility · Employment Practices · Community Investment · Anti-corruption · Supplier Management · Environmental Protection

1 Privacy protection	8 Anti-corruption performance	15 Equality and diversified employment	22 Energy consumption
2 Remuneration and benefits	9 Anti-corruption compliance	16 Community contribution	23 Amount of waste generated
3 Games and operation quality	10 Labor standards	17 Supplier management	24 Water resource usage management
4 Protect intellectual property rights	11 Occupational health and safety	18 Avoid child and forced labor	25 Greenhouse gas management
5 Operation compliance	12 Employee cross-cultural integration	19 Impact on surrounding communities	26 Emission management
6 Advertising and marketing	13 Player services and communication	20 Waste recycling	27 Environment and natural resources
7 Product health and safety	14 Customer loyalty	21 Energy conversation performance	

2.4 Supplier Management

The Group has established long-term relationships with Apple, Google, Amazon, Microsoft and hundreds of platforms, advertisers and suppliers around the world. IGG has stated in its internal policy that all personnel acting on the Group's behalf must not receive rebates, gifts or favors of any kind which could influence a business decision, and such policy has been publicized to all employees regularly. When asking for quotation from suppliers, procurement staff must send the seller or service provider a copy of Letter to Suppliers/Partners, which states the Group's anti-corruption expectations. The procurement staff is also required to obtain confirmation from the suppliers on their acknowledgement of IGG's anti-corruption policy.

2.5 Anti-corruption

IGG formulated the IGG Anti-Fraud Policy according to the laws and regulations of listed companies, provisions and requirements of securities exchanges and regulatory authorities with the objectives to establish effective mechanisms to deter and detect fraud, strengthen corporate governance and internal control, reduce risks, regulate business practices, safeguard the legitimate rights and interests of the Group, ensure the realization of the Group's business objectives and sustainable development of the Group and protect the legitimate rights and interests of shareholders. Every new employee has received training in anti-fraud knowledge when hired. In the meantime, the Group also regularly publicizes anti-fraud policies and requirements to all employees.

When approaching suppliers, IGG will provide written statements on anti-corruption, bribery and rebates. All contracts entered into between IGG and its suppliers contain "anti-commercial bribery provisions" which state that the responsible person does not receive any rebates, gifts or other benefits, and provide IGG's anti-fraud reporting mailbox and phone number.

In 2017, IGG did not find any acts of corruption or fraud.

3 PRODUCTS AND SERVICES

3.1 Enhance Player Experience

The Group understands that as a game company, creating high-quality gaming experience is the most important product responsibility, as well as the key to attracting and retaining players.

Starting from the research and development stage, IGG attracts talents from all over the world and now has a R&D team comprising more than 500 people. With over a decade of experience in the game industry, the team strives for continuous innovation and excellence in creating games of the highest quality. The Group also cooperates with other elites, such as engaging world-famous music artistes to produce the game soundtrack, to create state of the art gaming experience for our gamers.

While internationalizing its products, the Group strives for the localization of its operations. We have adopted effective marketing methods such as setting up local operation teams around the world to understand the local cultural background and gaming preferences, organizing offline player gatherings, cooperating with popular Internet influencers in live broadcasts, launching TV commercials and print media advertisements, etc. Operating teams in different places also work closely together to provide diversified marketing strategies, including organizing international game tournaments, producing cinematic-quality advertisements and co-marketing campaigns with globally renowned smartphone manufacturers and telecom giants, etc. Besides, IGG's online shop of game merchandise offers a series of exquisite products inspired by IGG's classic game IP, with the goal of extending the digital gaming experiences into the real world and further enhancing IGG's global quality image.

In addition to the pursuit of the best game quality and player experience, the operation and maintenance of games and server stability are also crucial.

Over 90% of IGG's servers are virtual servers, which significantly reduce energy consumption of the Group. We engage leading service providers in the industry and take measures to ensure the operation quality of our servers, maintain stable lines and reduce network delay in order to bring smooth game experience for global players.

As an online game company, IGG possesses industry-leading attack resistance ability. Striving to defend the legitimate interests of players and maintain fairness in games, the Group has established internal policies such as the IGG Information Security Safeguard Measures and has taken a number of measures to ensure network system security and the ability to operate without interruption at the physical, network, system and application level.

Gaming experience is affected directly by the fairness in games. Game plug-ins not only affect revenue of the Group, but also undermine the fairness of games and player experience. The operation team looks for evidence by analyzing players' behaviors through backend data, identifies and rapidly cracks down on plug-ins in order to maintain a fair game environment. For games scheduled to be closed, equal proportional compensation will be provided to players. For purchases with probability and lucky draw, the winning chances will be publicized on the official website of the game according to relevant laws and regulations.

In addition to physical measures, we have also established the Customer Center Urgent Problem Addressing Procedures and the Practice Guidelines for Server Maintenance and Management. These internal policies address urgent scenarios and potential risks during game operation, such as server failure, server delay, game platform or software abnormities and power interruption, and lay out standard procedures on the testing, communicating, handling, and recording of issues, as well as issuing maintenance notice and player compensation, with the objective to safeguard the legitimate interests of our players.

3.2 Product Health and Safety

Promoting healthy gaming is the social responsibility of a mobile game company and is also an important aspect of high-quality player experience. The Group understands that our players are from different cultural and religious backgrounds, and our games operate in countries and regions with various regulations for games. Therefore, the Group strictly complies with the legal requirements on healthy gaming of the countries where it operates. Measures such as choosing appropriate game character image designs, player real name authentication, game rating, objectionable information filtering, Healthy Gaming Advice during game login, children protection mechanism and player age restriction are taken in accordance with the regulations in respective countries and regions.

3.3 Player Services and Communication

Players are the most important stakeholders in the games and it is therefore crucial to collect their feedbacks. The Group continuously communicates with players by collecting their suggestions on social platforms and customer service channels, fosters interaction by encouraging players to participate in the design and selection of game merchandises, and ensures game content updates to attract and retain players.

Customer Services

The Group is a global mobile game developer and operator with players from more than 200 countries around the world, providing mobile games in 20 languages. Our customer service center provides industry-leading support for players 24 hours a day, 365 days a year. In 2017, our customer service center addressed over 560,000 questions raised by players through live chat, answered over 550,000 questions via ticket submission, replied over 580,000 emails and answered more than 400 inquiries by telephone. Players' queries were related to, among other things, purchases, game features and system bugs which have been followed up and addressed according to the Group's Customer Service Requirements.

Communication with players is an integral part of game experience. Our customer service team can check the real-time service data on the operating platform and deploy manpower dynamically based on the number of visitors to the platform in order to meet the consulting needs of players in a timely manner. Our customer service center insists on four principles, namely timeliness, completeness, convenience and openness, and seeks to solve problems for customers within 12 or 24 hours depending on the specific questions raised. For routine and prescheduled server maintenance, players will be informed by notices published on various social media 24 to 48 hours in advance, and after the relevant maintenance is completed, in-game compensation will be provided to players. For urgent maintenance, a temporary maintenance notice and compensation plan, as case may be, will be published according to Customer Service Guidelines for Emergency.

The evaluation and inspection on customer service quality has been carried out by a combination of internal spot check and external customer scoring. The internal quality inspection review is to conduct comprehensive quality review on response speed, service attitude, wordings, and correctness of answers and solutions. In 2017, the pass rate of customer service quality inspection by internal spot check was 98%, and several major games' live chat scoring system showed that 89% of players were satisfied with the service.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Organizing Offline Activities for Players

In 2017, IGG conducted offline activities for players in a variety of ways, including player gatherings, player meetings at major game shows and international game tournaments, etc. While expanding the influence of games, it promoted close connection between players and IGG and established exchange communities outside the cyberspace.

Popular actress Song Ji Hyo met Lords Mobile players at offline event in South Korea

Lords Mobile Lords Championship 2017 in Hong Kong

3.4 Privacy Protection

Because of its international presence and business scope, the Group ensures compliance with privacy policies and local laws and regulations in all countries around the world in which it operates.

Customers' privacy is taken seriously at IGG. The Privacy Policy published on the website of the Group provides information regarding the collection, use and disclosure of user information. The Group implements IGG Information Security Safeguard Measures to protect user information. Such safeguarding measures also establish the emergency management system for material information security events, including evaluating the effect of and damage caused by the relevant events, checking if attackers have hacked system and the level of loss and identifying major risks exposed. After the relevant events are under control, the root causes are identifying through analysis results of relevant malicious codes or acts and are completely eliminated, and remedial measures are then established accordingly. Meanwhile, the law enforcement authorities and other relevant authorities pinpoint the source of attack and take appropriate measures to interrupt it. Each of the responsible teams strives to restore data, program and services as soon as possible.

3.5 Operation Compliance

The Group takes active efforts to ensure its operations in various countries comply with local regulations. When it establishes a branch of any nature in any country or region across the world, the Group selects and engages local lawyer, tax advisor, secretarial company and other professional consultants in respective phases from commencement of establishment to operation to provide services, including local law and tax consulting, assistance in procedures such as registration, incorporation and evaluation of business premise, as well as assistance in the operation phase such as contract review, business consulting and risk management.

Intellectual property protection has been a focus of the Group since its inception. Therefore, the Group has dedicated staff in charge of intellectual property management and engaged professional intellectual property agents and lawyers in different regions across the world to assist in intellectual property management, which has laid a solid foundation for protecting our rights. The Group registers and maintains its various intellectual property rights in a timely manner and also has a 7×24 alert mechanism and 48-hour response procedure to take rapid response to infringement of our intellectual property rights in the market.

The concept of protecting intellectual property rights has been rooted within the Group and has been shared and promoted among all employees regularly in order to enhance the awareness of intellectual property rights protection. In addition to actively protecting our own intellectual property rights, we also respect others' intellectual property rights. The Group strictly manages and controls its operations to avoid infringement. We focus on communicating with and educating R&D department and other departments in order to ensure that game contents are originally created by our employees. At the same time, we strictly inspect the promotion materials of advertisers in order to avoid infringement disputes. In respect of game advertising and marketing activities, we have also complied with relevant laws and regulations in the places where we operate with our legal department being in charge of relevant legal affairs.

3.6 Recognition and Awards

In 2017, amidst vigorous competition worldwide, IGG successively won recognition from the industry and received numerous awards.

IGG was ranked 21st among the list of "Top 52 Publishers of 2017" released by App Annie for the third consecutive time, up from 34th in 2015 and 27th in 2016. A spot on the top 52 list is a special honor, reserved for top-earning publishers in terms of annual revenue on iOS and Google Play stores.

IGG ranked 19th in the list of "Top 50 Mobile Game Developers of 2017" released by PocketGamer.biz, a prestigious mobile game media in the United Kingdom. Mobile game developers with outstanding performance or great potential were selected worldwide for the list based on earning, game quality, performance in the respective regions and platforms, company image and reputation, business practices and innovation.

Lords Mobile was awarded "Android Excellence Game of 2017" by Google Play. The judging criteria for this award not only include the number of downloads and user ratings, but also take into account whether the game is "of high quality and provides the best user experience". The award was a demonstration of recognition from the industry for Lords Mobile's constant innovation and improvement during the past two years since it was launched.

List of awards in 2017

Awards	Awarding Institutions
Awards won by IGG	
21st Place of Top 52 Publishers of 2017	App Annie, a mobile analytic platform
19th Place of Top 50 Mobile Game Developers of 2017	PocketGamer.biz, a well-known mobile game website
Best Overseas Product Operating Enterprise	You Ding Awards, a prestigious prize in the Chinese game sector
Best Game Exporter for 2017	Tian Fu Awards, a prestigious prize in the Chinese game sector
16th Place of BrandZ™ Top 50 Chinese Global Brand Builders 2018, The Fastest Growing Mobile Game Brand	Jointly released by Google Inc. and BrandZ, a brand consulting company under the world's largest advertising communication group, WPP
Awards won by Lords Mobile	
Android Excellence Game of 2017	Google Play
Google Play Awards Best Multi-player Game Nomination	Google I/O Developer Conference
Best International APP for 2017	Xiaomi MIUI Intelligent Ecological Conference
Top 10 Most Popular Game Overseas	The 2017 "Top 10 Games" Ceremony by China Game Industry Association
iChoice Internet Popularity Award 2017 and Most Popular Strategy Mobile Game	Discuss.com, a highly popular discussion forum in Hong Kong
Annual Overseas Market Breakthrough Award	Gamelook, a prestigious game industry medium in China
Hong Kong Golden IT Brand Awards: Best Mobile Game (Strategy)	Hong Kong Golden Discussion Forum, a popular online discussion forum in Hong Kong
Best Popularity for the First half of 2017	"Toutiao", a famous news platform in China
Game Star Top 10 Popular Mobile Games for 2016	"Game Star Award", the most indicative annual award in the game industry of Taiwan

4 CARING FOR EMPLOYEES

4.1 Equal Employment

We recognize that the success of an enterprise is inseparable from its employees at different levels. We endeavor to establish a standardized, orderly, fair and effective human resource management system. Also, we strictly comply with laws, regulations and labor policies relating to human rights and labor in the places where we operate. In recruitment, evaluation, promotion, staff development, benefits and termination of labor contract, the Group prohibits discrimination by, among others, race, skin color, nationality, language, wealth, age, sexual orientation, disability, religion, political faction, member of the association and marital status. We strictly prohibit employing child labor and forced labor. There was no such circumstance during the Year.

IGG strictly complies with relevant laws and regulations in various countries by signing labor contracts with its employees according to law, making contributions to social insurance plan in compliance with relevant requirements and protecting employees' privacy.

IGG actively encourages the employment of persons with disabilities and works closely with organizations such as the Federation of Disabled Persons to provide employment opportunities for the disabled. Subject to meeting the job requirements, IGG gives priority to hiring people with disabilities and provides financial assistance. There are many disabled employees with strong will who have accomplished outstanding work achievements at IGG and are promoted to important positions.

As at 31 December 2017, IGG had 1,056 employees in total, representing an increase of 9% over the previous year. IGG's employees continue to be young in average age with employees aged below 30 accounting for 42% of the total number of employees. Female employees account for 30% of the total number of employees. Both employee age and gender distribution reflect the characteristics of the game industry.

4.2 Comprehensive Training and Career Development

We embrace the spirit of continuous innovation and strive for excellence. With love and passion for games, gifted game makers from all walks of life gather in IGG, incorporating the sense of mission and accomplishment into work and aiming to create long-lasting classics for gamers around the world.

The Group attaches great importance to encouraging innovation, offers a creative and conductive work environment that promotes learning and growth, and strives to maximize employees' potential and help them achieve their goals.

IGG has established comprehensive training systems which offer full-range and diversified training courses. The Group customizes training courses based on actual demand of diverse teams, covering technical skills, soft skills, marketing analytic tools and techniques, etc. In addition to classroom training, on-the-job coaching and experience sharing session, IGG has introduced an online learning system, which enables staff to learn during fragmented time. In 2017, IGG held more than 30 internal sharing sessions globally, covering game design, production, art, successful case studies and more. Approximately 800 employees from all over the world attended more than 50 training sessions, with a total duration of over 21,000 hours.

Under the circumstances permitted by local laws, we provide middle management employees with interest-free housing loans to support employees in buying their own flats so that employees can live and work in the best condition, and pursue long-term development with IGG.

4.3 Remuneration Package

In order to continuously attract and retain talents, IGG has always been improving its staff remuneration management mechanism to create a unified, objective and fair incentive system for its staff around the world, including performance bonuses and equity incentive plan, etc. Provided that basic welfare for all staff has been guaranteed, we offer more benefits to our staff. In addition to public holidays and statutory holidays, our staff are also entitled to paid leaves such as marriage leave, prenatal check and examination leave, maternity leave, care leave and annual leave.

Social Insurance

We provide statutory social security benefits for our staff, such as pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance and contribution to housing provident funds.

Medical Support

Along with the statutory basic health insurance, we also purchase commercial medical insurance and accident insurance for all staff. For our staff's convenience of seeking medical help, we cooperate with physical examination center to provide health counseling services.

Care Undertakings for Working Parents

Many IGG employees are working parents. Parent-child activity center has been established at the Group's main operating site to provide all kinds of books, educational toys and other facilities. Parents can bring their children to study and play in the center during off hours and weekends. During winter and summer vacations, the center also provides children with interest classes.

4.4 Occupational Health and Safety

IGG is committed to providing its staff with a safe, healthy and comfortable working premise. Take the Fuzhou Office in China as an example, staff would not only enjoy creative office spaces, but also can lay their hands on ancillary facilities such as swimming pool, gymnasium and cinema. To satisfy taste preferences of colleagues from different countries, Fuzhou Office is also equipped with three staff canteens to provide food and drink with diversified flavors.

Fuzhou Office in China

Hong Kong Office

Swimming Pool

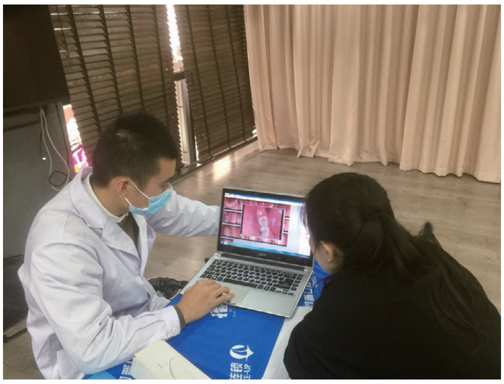
Cinema

Gymnasium

Staff Canteen

We organize an all-staff fire drill semi-annually and conduct examination and assessment on fire facilities monthly, with an aim to eradicate all fire hazards in the workplace. During the current year, IGG has never encountered any work-related injury or death resulting from work.

We organize staff to receive physical examination regularly and hold on-site consultation session over the physical examination reports. In addition, we invite doctors to conduct health knowledge lectures on the frequent illness in the industry.



Oral Health Screening

Health Knowledge Lecture on the Prevention and Treatment of Cervical Spondylosis

In order to reduce health risks of staff caused by sedentary work, IGG has purchased ergonomic office chairs for all staff. Staff can also purchase those office chairs at a discounted price to improve the comfort level of their homes.

4.5 Staff Activities

Cultural and Sports Activity Clubs

IGG has set up 14 staff clubs, including sports, dance, electronic sports clubs, and provided funding for the activities. The clubs held more than 700 activities during the Year.

Electronic Sports Club

Yoga Club

Basketball Club

Snooker Club

Holiday Activities and Travel

On traditional festivals or holidays and staff birthdays, IGG will organize corresponding activities and prepare gifts. In addition to holiday activities, IGG also organizes annual retreat for all employees to ease work stress while enhancing team cohesion.

Annual Party

High Tea on Women's Day

Group Photo of Staff Birthday Party

Mooncakes Making on the Mid-Autumn Festival

Group Photo of Girls at Christmas

Visit by Family Members on the Family Day

Staff Retreat

Staff Retreat

4.6 Cross-cultural Integration

Globalization is the core competitiveness of IGG. To create the best games for players all over the world requires international talents with different cultural backgrounds. Teams worldwide interact and exchange ideas frequently via cross-border learning and sharing opportunities, which break cultural barriers and enable the Group to develop international game products.

IGG has offices in 11 countries and regions around the world, and many employees from diverse backgrounds are working across international borders. We provide international employees with air tickets for home visits, as well as extra holidays according to their traditions and religions. Additionally, we offer global health insurance plan and language support for doctor visits to support employees who are living outside their home countries.

Coming from diversified cultural backgrounds, staff at the same office may speak different languages. To overcome communication barriers caused by language differences, IGG has implemented bilingual versions of all electronic office systems and intranet information system, with all contents released in both English and Chinese. Meanwhile, the Group is about to launch an instant multilingual translation function in its internal messaging tools, enabling staff who use different languages to communicate more conveniently.

The Group organizes team building activities for staff from different countries to interact and bond with each other, and to increase team cohesion.

IGG Belarus Team

IGG US Team

5 COMMUNITY CONTRIBUTION

As a leading game company, IGG has been actively fulfilling its social responsibilities, participating in local community events in the places where it operates. We not only incorporate traditional ways such as charitable donations and volunteer activities in our community engagement efforts, but also leverage our industry expertise to give back to the society.

5.1 Leveraging Industry Expertise to Fulfill Social Responsibilities

Assisting in Future Talent Development in the Gaming Industry

Cultivating talents with passion and expertise for the gaming industry and providing them with career opportunities are an investment for IGG's and the industry's future. Through a variety of projects around the world, we provide young people who are interested in games with opportunities to understand and enter the industry and broaden their career development prospects.

In 2017, IGG launched its first game art design competition in China, which is open to all college students talented in art and design. The event provided college students with opportunities to showcase their works, exchange ideas, and win internships at IGG. In addition, IGG worked with universities in mainland China to launch a series of talks and sharing sessions and invited leading game artists to share their career insights with college students.

IGG Singapore has an internship program for aspiring game designers. As of 31 December 2017, 13 trainees had completed their internships of 2 to 6 months with the company's R&D department.

Promoting Development in Data Science

IGG Singapore has made a long-term commitment to the government, regarding its five-year plan to establish a data analytics team. Through in-depth data analysis, the company aims to turn data into industry insights to promote the overall development of the gaming industry and cultivate more talents in big data analytics.

5.2 Charity Activities

In 2017, IGG conducted a wide variety of charity donation activities as follows to help different groups of people.

Education Sponsorship

In 2017, Fuzhou TJ Digital Entertainment Co., Ltd donated RMB1 million to the Fujian Industrial Charitable Foundation.

IGG also carried out a "University Dream, Love Relay" education sponsorship activity to provide financial aid to college students.

Caring for the Elderly

In 2017, IGG launched the "Warm Winter" campaign to raise funds for 63 war veterans, the elderly of no family and disabled elderly people.

Donation

IGG worked closely with non-governmental organizations such as the Thanksgiving Fujian Charity Association to conduct a number of activities such as computer donations and old clothing donations.

Awarded the Title of "Caring Company"

In December 2017, Fuzhou TJ Digital Entertainment Co., Ltd, a subsidiary of IGG was awarded the title of "Caring Company" by the Thanksgiving Fujian Charity Association and Fujian Provincial Thanksgiving Education and the Disabled Aid Development Center.

The plaque of "Caring Company" of Fuzhou TJ Digital Entertainment Co., Ltd

6 GREEN OPERATION

During the Year, IGG gradually established its own environmental management and information collection procedures and disclosed to various stakeholders in this report. We took a responsible attitude towards the environmental impact of the Group and incorporated the environmental factors such as climate change into the risk management and cost control system by monitoring the environmental data. Therefore, IGG has established a unified environment management system in the 11 locations where it operates and is committed to improving its environmental management system further. IGG also introduced to employees the concept of energy saving and environmental protection, encouraging every employee to adopt a sustainable lifestyle and spread the concept of sustainability to their families and communities.

6.1 Energy Consumption and Greenhouse Gas Emission

As a game company which is mainly engaged in the business of game software development and operation, the environmental impacts of IGG is mainly attributable to the energy consumption associated with maintaining its own equipment operation and the associated indirect greenhouse gas ("GHG") emissions. Management, monitoring and data collection in this area have also become the focus of IGG's environmental management efforts during the Year.

In 2017, by improving the management of air-conditioning and lighting in its offices and server rooms, IGG's Fuzhou Office saved approximately 10% of electricity consumption.

Energy consumption

Type of energy[1]	Unit	Total amount
Gasoline[2]	liter	9,000
Natural gas	tonne	0.49
Grid electricity consumed by office	kWh	2,016,883

GHG emissions

Type of GHG emissions	Unit[3]	Total amount
Scope I GHG emissions[4]	tonne, CO_2 equivalent	21.57
Scope II GHG emissions[5]	tonne, CO_2 equivalent	1,330.61
Total GHG emissions	tonne, CO_2 equivalent	1,352.18

1 The scope of statistics for the above energy items covers IGG and all entities controlled by it.

2 The scope of statistics for gasoline consumption covers vehicles owned by IGG and all entities controlled by it.

3 Carbon dioxide equivalent is used as a measure of the comparison of greenhouse gas emissions. The calculations of carbon dioxide equivalent have included GHG emissions from sources, including carbon dioxide, methane and nitrous oxide etc;

4 According to the ISO 14064 GHG inventory standards, Scope I GHG emissions refers to direct greenhouse gas emissions, particularly direct emission sources owned and controlled by the organization, such as emissions from its own vehicles;

5 According to the ISO 14064 GHG inventory standards, Scope II GHG emissions refers to indirect energy emission sources, such as indirect greenhouse gas emissions caused by purchased electricity;

6.2 Waste and Water Resource Management

As an information technology company, IGG identified the two major sources of waste: printing consumables and scrapped IT equipment. Therefore, IGG has adopted corresponding measures to reduce resource consumption, encourage recycling and reduce waste generation.

For printing consumables, IGG has engaged a printer maintenance service provider to handle maintenance and repair of printers at the Fuzhou Office to avoid the increased use of printing consumables due to the aging and failure of printers. Going paperless in all work process is encouraged in IGG, with aims to reduce the use of paper and printing consumable. For scrapped IT equipment, including hosts, monitors and other equipment, IGG will dispose of it through three major methods based on the condition of the equipment. Firstly, computers unable to perform high-intensity computing but still meet daily usage needs are donated to local schools to support information technology education in local communities. Secondly, employees in need may apply for the equipment for family use. Lastly, for dysfunctional equipment, IGG will hire a professional electronic equipment recycling agency to recycle it. By making rational use of such electronic equipment recycled through these three major ways, we provide an aid to those in need and the equipment can also be reused, thereby reducing environmental pollution caused by electronic waste.

Generation of hazardous and non-hazardous waste

Type of waste produced	Unit	Total amount
Discarded modulator tube	piece	309
Discarded toner and ink cartridge	piece	153
Waste battery	piece	490
Scrapped IT equipment -host	piece	124
Scrapped IT equipment -monitor	piece	130
Scrapped IT equipment -others	piece	116

Water consumption

Type of water consumption	Unit	Total amount
Office water consumption	tonne	11,133

APPENDIX I LIST OF QUANTITATIVE DISCLOSURE DATA

	ESG KPIs	Unit	Data of 2017
A. Environmental			
A1. Emissions			
A1.2	Greenhouse gas emissions in total		
	Scope I GHG emissions[6]	CO_2 equivalent -tonne[7]	21.57
	Scope II GHG emissions[8]	CO_2 equivalent -tonne	1,330.61
	Total GHG emissions	CO_2 equivalent -tonne	1,352.18
A1.3 & A1.4	Hazardous and non-hazardous waste produced		
	Discarded modulator tube	piece	309
	Discarded toner and ink cartridge	piece	153
	Waste battery	piece	490
	Scrapped IT equipment-host	piece	124
	Scrapped IT equipment-monitor	piece	130
	Scrapped IT equipment-others	piece	116
A2. Use of Resources			
A2.1	Energy consumption in total and intensity[9]		
	Gasoline[10]	liter	9,000
	Natural gas	tonne	0.49
	Grid electricity consumed by office	kWh	2,016,883
A2.2	Water consumption and intensity		
	Office water consumption	tonne	11,133

6 According to the ISO 14064 GHG inventory standards, Scope I GHG emissions refers to direct greenhouse gas emissions, particularly direct emission sources owned and controlled by the organization, such as emissions from its own vehicles;

7 Carbon dioxide equivalent is used as a measure of the comparison of greenhouse gas emissions. The calculations of carbon dioxide equivalent have included GHG emissions from sources, including carbon dioxide, methane and nitrous oxide etc;

8 According to the ISO 14064 GHG inventory standards, Scope II GHG emissions refers to indirect energy emission sources, such as indirect greenhouse gas emissions caused by purchased electricity;

9 The scope of statistics for the above energy items covers IGG and all entities controlled by it;

10 The scope of statistics for gasoline consumption covers vehicles owned by IGG and all entities controlled by it.

		ESG KPIs	Unit	Data of 2017
B.	Social			
B1.	Employment			
B1.1		Total workforce by gender, employment type, age group and geographical region		
		Total number	number of people	1,056
	By gender	Male	number of people	743
		Female	number of people	313
	By function	Development Teams	number of people	569
		Operation Department	number of people	278
		IT Support Team	number of people	88
		Supporting Departments	number of people	121
	By age	Below 30	number of people	447
		30-50	number of people	598
		Above 50	number of people	11
B2.	Health and Safety			
B2.1		Number of work-related fatalities		
		Number of work-related fatalities	people	0
		Number of work injury	incidence	0
B2.2		Lost days due to work injury		
		Days of common work injury	day	0
B3.	Development and Training			
B3.1		Employee training		
		Total number of employees trained	number of people	Approximately 800
B3.2		Training hours of employees		
		Total training hours	hour	Over 21,000
B6.	Product Responsibility			
B6.2		Number of products and service related complaints received		
		Address players' questions	incidence	About 1,690,000

	ESG KPIs	Unit	Data of 2017
B7. Anti-corruption			
B7.1	Number of legal cases regarding corrupt practices Initiated or concluded legal cases regarding corrupt practices	incidence	0
B8. Community Investment			
B8.2	Resources contributed to the focus area Monetary donation	US $	More than 150,000

APPENDIX II KPI INDEX OF ESG GUIDE OF STOCK EXCHANGE

This KPI index provides a description of compliance with each of the "comply or explain" indicators and the disclosure of the "proposed to be disclosed" indicators of the ESG Reporting Guide by the Group during the reporting period.

Issue	Guide Requirements	Report Chapter	Remarks
A. Environmental			
A1 Emissions	General disclosure Key performance indicators A1.2, A1.3, A1.4, A1.6	Green operation	Since the Group is principally engaged in the development and operation of games and gas emission is not a significant issue of business activities, A1.1 and A1.5 are not included.
A2 Use of resources	General disclosure Key performance indicators A2.1, A2.2, A2.3, A2.4	Green operation	Since the products and services provided by the Group are sold online and do not involve packaging materials, A2.5 is not included.

Issue	Guide Requirements	Report Chapter	Remarks
A3 The environment and natural resources	General disclosure Key performance indicator A3.1	N/A	The Group is principally engaged in the development and operation of games without any significant impact on the environment and natural resources.
B. Social			
B1 Employment	General disclosure Key performance indicator B1.1	Caring for employees -4.1	
B2 Health and safety	General disclosure Key performance indicators B2.1, B2.2, B2.3	Caring for employees -4.4	
B3 Development and training	General disclosure	Caring for employees -4.2	
B4 Labor standards	General disclosure Key performance indicators B4.1, B4.2	Caring for employees	During the reporting period, the laws and regulations regarding the prevention of child labor and compulsory labor which had a significant impact on the Group in employment were complied with.
B5 Supply chain management	General disclosure	Environmental, social and governance structure -2.4	
B6 Product responsibility	General disclosure Key performance indicators B6.2, B6.3, B6.5	Products and services -3.3, 3.4, 3.5	
B7 Anti-corruption	General disclosure Key performance indicators B7.1, B7.2	Environmental, social and governance structure -2.5	
B8 Community investment	General disclosure Key performance indicators B8.1, B8.2	Community contribution	

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group is a renowned global mobile games developer and operator with headquarters in Singapore and regional offices in the United States, Mainland China, Hong Kong, Canada, Japan, Korea, Thailand, the Philippines, Belarus, and the United Arab Emirates. There has been no significant change in the Group's principal activities during the year of 2017.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2017 are set out in note 15 to the consolidated financial statements.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 173 to 174 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the audited consolidated statement of comprehensive income in this annual report.

On 22 March 2017, the Board resolved to declare a 2016 second interim dividend of HK8.0 cents per ordinary Share (equivalent to US1.0 cent per ordinary Share), amounting to approximately US$13.9 million and a special dividend of HK5.4 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share), amounting to approximately US$9.4 million. Such dividend has been paid on 25 April 2017.

On 25 August 2017, the Board resolved to declare a 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), amounting to a total of approximately US$60.6 million. Such dividend has been paid on 28 September 2017.

On 9 March 2018, the Board resolved to declare a second interim dividend of HK14.0 cents per ordinary Share (equivalent to US1.8 cents per ordinary Share), amounting to approximately US$23.9 million. Such dividend will be paid on or about 19 April 2018.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting is scheduled on 4 May 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 27 April 2018 to 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 26 April 2018.

RESERVES

Details of movements in reserves of the Group and the Company for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity and note 25(a) to the consolidated financial statement, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately US$238.7 million. The amount of approximately US$238.7 million represents the Company's share premium account of approximately US$125.4 million and accumulated surplus of approximately US$113.3 million in aggregate as at 31 December 2017, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Details of the charitable donations by the Group for the Year are set out in the section headed " Corporate Social Responsibility Report - Charity Activity".

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the year ended 31 December 2017 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in note 25(c) to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors
Mr. Zongjian Cai *(Chairman and Chief Executive Officer and Authorised Representative)*
Mr. Yuan Xu
Mr. Hong Zhang
Ms. Jessie Shen
Mr. Feng Chen

Non-executive Director
Mr. Yuan Chi

Independent Non-executive Directors
Dr. Horn Kee Leong
Mr. Dajian Yu
Ms. Zhao Lu

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

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

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Long positions in shares of the Company and the associated corporations

Interests in	Name	Capacity/Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
1. The Company	Mr. Zongjian Cai (Notes 1, 2)	Interest in a controlled corporation, spouse interest, interests held jointly with another person	266,714,657	20.08%
	Mr. Yuan Xu (Notes 2, 3)	Beneficial owner, interest held jointly with another person	266,714,657	20.08%
	Mr. Hong Zhang (Notes 2, 4)	Beneficial owner, interest held jointly with another person	266,714,657	20.08%
	Ms. Jessie Shen (Note 5)	Beneficial owner	3,978,000	0.30%
	Mr. Feng Chen (Note 6)	Beneficial owner	13,640,000	1.03%
	Mr. Yuan Chi (Note 7)	Interest in a controlled corporation	153,920,000	11.59%
	Dr. Horn Kee Leong (Note 8)	Beneficial owner	250,000	0.02%
	Ms. Zhao Lu (Note 9)	Beneficial owner	260,000	0.02%
	Mr. Dajian Yu (Note 10)	Beneficial owner	650,000	0.05%
2. Associated corporation: Chinese ABC Limited	Mr. Feng Chen (Note 11)	Beneficial owner	990	9.90%

Notes:

(1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 182,268,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is deemed to be interested in all Shares held by Ms. Kai Chen, the spouse of Mr. Zongjian Cai, under the SFO. Mr. Zongjian Cai was also deemed to be interested in the 332,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(2) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. On 18 October 2016, the members of the Concert Group entered into the Amendment to the Act in concert agreement, pursuant to which Mr. Yuan Chi and Edmond Online ceased to be members of the Concert Group. Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen together formed the New Concert Group, and hereafter act in concert with each other to exercise their voting rights on the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.

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

(3) Mr. Yuan Xu was the beneficial owner of 27,417,638 Shares. Mr. Yuan Xu was also deemed to be interested in (i) the 613,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme; and (ii) the 4,000,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme.

(4) Mr. Hong Zhang was the beneficial owner of 9,931,040 Shares. Mr. Hong Zhang was also deemed to be interested in (i) the 605,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme; and (ii) the 7,700,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme.

(5) Ms. Jessie Shen was the beneficial owner of 3,470,000 Shares and was also deemed to be interested in (i) the 367,000 Shares which may be issued to her upon exercise of the share options granted to her on 21 November 2014 under the Share Option Scheme; and (ii) the 141,000 Shares which may be issued to her upon exercise of the share options granted to her on 23 March 2015 under the Share Option Scheme.

(6) Mr. Feng Chen was the beneficial owner of 13,340,000 Shares and was also deemed to be interested in 300,000 Shares which may be issued to him upon exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(7) Mr. Yuan Chi is interested in all the issued share capital of Edmond Online and he is the sole director of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO. Mr. Yuan Chi was also deemed to be interested in the 486,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(8) Dr. Horn Kee Leong was deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(9) Ms. Zhao Lu was the beneficial owner of 60,000 Shares and was also deemed to be interested in 200,000 Shares which may be issued to her upon exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(10) Mr. Dajian Yu was the beneficial owner of 400,000 Shares and was also deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(11) Mr. Feng Chen was the beneficial owner of 990 shares of Chinese ABC Limited which is an associated corporation of the Company, incorporated under the Hong Kong Companies Ordinance with limited liability on 6 September 2017.

Save as disclosed above, as of 31 December 2017, none of the Directors and chief executive of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Listing Rules.

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

So far as were known to the Directors or chief executive of the Company, as at 31 December 2017, the following persons had interests and/or short positions of 5% or more of the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of Shareholding
Duke Online (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,714,657	20.08%
Mr. Zongjian Cai (Notes 1, 3)	Interest in a controlled corporation, spouse interest, interests held jointly with another person	266,714,657	20.08%
Mr. Yuan Xu (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,714,657	20.08%
Mr. Hong Zhang (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,714,657	20.08%
Ms. Kai Chen (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,714,657	20.08%
Mr. Zhixiang Chen (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,714,657	20.08%
Edmond Online (Notes 2, 3)	Beneficial owner	153,920,000	11.59%
Mr. Yuan Chi (Notes 2, 3)	Interest in a controlled corporation	153,920,000	11.59%

Notes:

(1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 182,268,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. Mr. Zongjian Cai was also deemed to be interested in the 332,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

Mr. Yuan Xu was the beneficial owner of 27,417,638 Shares and was deemed to be interested in the 4,000,000 shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme. Mr. Yuan Xu is also deemed to be interested in the 613,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

Mr. Hong Zhang was the beneficial owner of 9,931,040 Shares and was deemed to be interested in the 7,700,000 Shares which may be issued to him upon the exercise of the share options granted to him under the Pre-IPO Share Option Scheme. Mr. Hong Zhang was also deemed to be interested in the 605,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

Ms. Kai Chen was the beneficial owner of 17,847,952 Shares and she is also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

(2) Mr. Yuan Chi is the beneficial owner of all the issued share capital of Edmond Online and he is the sole director of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO. Mr. Yuan Chi was also deemed to be interested in the 486,000 Shares which may be issued to him upon the exercise of the share options granted to him on 23 March 2015 under the Share Option Scheme.

(3) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. On 18 October 2016, the members of the Concert Group entered into the Amendment to the Act in concert agreement, pursuant to which Mr. Yuan Chi and Edmond Online ceased to be members of the Concert Group. Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen together formed the New Concert Group, and hereafter act in concert with each other to exercise their voting rights on the material matters that will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.

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

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures" above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by written resolutions of all the Shareholders. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

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

The outstanding options under the Pre-IPO Share Option Scheme represent share options originally granted by the Company to the grantees on 20 January 2007, 1 July 2007, 1 July 2008, 5 December 2008, 19 March 2009, 1 August 2009, 1 November 2009, 18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011, 2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, and 31 March 2013, respectively, in respect of the Shares in the Company. As of the Listing Date, a total of 224 participants, including 3 members of the senior management and seven connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. The Company should not and did not grant any share options under the Pre-IPO Share Option Scheme after the Listing.

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

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

Below table set forth the exercise price of the share options granted on respective dates:

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

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2017 by category of grantees were as follows:

	Number of Pre-IPO share options			
Category of grantees	Outstanding as at 31 December 2016	Exercised during the year	Lapsed/ forfeited during the year	Outstanding as at 31 December 2017
Senior management	13,200,000	1,500,000	—	11,700,000
Connected persons (other than members of the senior management)	1,980,000	937,000	—	1,043,000
Other grantees who have been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	2,687,000	1,720,000	—	967,000
Other grantees (total 207 grantees)	19,007,412	10,311,412	25,000	8,671,000
Total	**36,874,412**	**14,468,412**	**25,000**	**22,381,000**

Save as disclosed above, no share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the year ended 31 December 2017.

SHARE OPTION SCHEME

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

Eligible persons shall be (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including a non-executive director and/or an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and (h) who, in the sole opinion of the Board, will contribute to or have contributed to the Group.

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

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

(a) the nominal value of a Share;

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

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

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

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the year ended 31 December 2017 by category of grantees were as follows:

			Number of share options				
Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2016	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding as at 31 December 2017
Other employees and eligible persons	11 August 2014	HK$5.47	355,000	—	148,000	35,000	172,000
Director							
Ms. Jessie Shen	21 November 2014	HK$3.51	367,000	—	—	—	367,000
Other employees and eligible persons	21 November 2014	HK$3.51	450,000	—	200,000	—	250,000
Directors							
Mr. Zongjian Cai	23 March 2015	HK$3.90	332,000	—	—	—	332,000
Mr. Yuan Xu	23 March 2015	HK$3.90	613,000	—	—	—	613,000
Mr. Hong Zhang	23 March 2015	HK$3.90	605,000	—	—	—	605,000
Ms. Jessie Shen	23 March 2015	HK$3.90	141,000	—	—	—	141,000
Mr. Feng Chen	23 March 2015	HK$3.90	300,000	—	—	—	300,000
Mr. Yuan Chi	23 March 2015	HK$3.90	486,000	—	—	—	486,000
Dr. Horn Kee Leong	23 March 2015	HK$3.90	250,000	—	—	—	250,000
Ms. Zhao Lu	23 March 2015	HK$3.90	250,000	—	50,000	—	200,000
Mr. Dajian Yu	23 March 2015	HK$3.90	250,000	—	—	—	250,000
Directors' respective associate							
Ms. Meijia Chen (a cousin of Mr. Yuan Xu)	23 March 2015	HK$3.90	553,000	—	—	—	553,000
Other employees and eligible persons	23 March 2015	HK$3.90	2,546,500	—	620,834	15,000	1,910,666
Other employees and eligible persons	10 September 2015	HK$2.94	100,000	—	10,000	—	90,000

Category of grantees	Date of grant	Exercise price per Share	Number of share options: Outstanding as at 31 December 2016	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Outstanding as at 31 December 2017
Directors' respective associate							
Mr. Neng Xu (brother of Mr. Yuan Xu)	20 April 2017	HK$10.50	—	150,000	—	—	150,000
Other employees and eligible persons	20 April 2017	HK$10.50	—	630,000	—	—	630,000
Other employees and eligible persons	17 Nov 2017	HK$10.08	—	270,000	—	—	270,000
Total			7,598,500	1,050,000	1,028,834	50,000	7,569,666

11 August 2014

Share options granted on 11 August 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Share option vesting period	Percentage of share options to vest
On 11 August 2015	25% of the total number of share options granted
On 11 August 2016	25% of the total number of share options granted
On 11 August 2017	25% of the total number of share options granted
On 11 August 2018	25% of the total number of share options granted

21 November 2014

Share options granted on 21 November 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Share option vesting period	Percentage of share options to vest
On 21 November 2015	25% of the total number of share options granted
On 21 November 2016	25% of the total number of share options granted
On 21 November 2017	25% of the total number of share options granted
On 21 November 2018	25% of the total number of share options granted

23 March 2015

Share options granted on 23 March 2015 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Out of the share options granted on 23 March 2015, 1,450,000 share options, which were granted to non-executive Directors (including Mr. Kee Lock Chua who resigned as a non-executive Director on 4 August 2015, Mr. Xiaojun Li who resigned as a non-executive Director on 31 December 2015, and excluding Mr. Yuan Chi who was re-designed as a non-executive Director on 21 August 2015) and independent non-executive Directors, shall be subject to a vesting period as follows:

Share option vesting period	Percentage of share options to vest
On the date of the annual general meeting to be convened in 2016	One-third of the total number of share options granted
On the date of the annual general meeting to be convened in 2017	One-third of the total number of share options granted
On the date of the annual general meeting to be convened in 2018	One-third of the total number of share options granted

The remaining 4,889,000 share options shall be subject to a vesting period as follows:

Share option vesting period	Percentage of share options to vest
On 23 March 2016	25% of the total number of share options granted
On 23 March 2017	25% of the total number of share options granted
On 23 March 2018	25% of the total number of share options granted
On 23 March 2019	25% of the total number of share options granted

10 September 2015

Share options granted on 10 September 2015 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Share Option Vesting Date	Percentage of Shares Options to Vest
On 10 September 2016	25% of the total number of share options granted
On 10 September 2017	25% of the total number of share options granted
On 10 September 2018	25% of the total number of share options granted
On 10 September 2019	25% of the total number of share options granted

20 April 2017

On 20 April 2017, the Company granted a total of 780,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 780,000 share options, 150,000 share options were granted to Mr. Neng Xu, the brother of Mr. Yuan Xu, an executive Director of the Company. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK$10.50 per Share. The closing price immediately before the date on which the options were granted on 20 April 2017 was HK$9.83.

Share options granted on 20 April 2017 shall vest according to the following time schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant.

Share Option Vesting Date	Percentage of Shares Options to Vest
On 20 April 2018	25% of the total number of share options granted
On 20 April 2019	25% of the total number of share options granted
On 20 April 2020	25% of the total number of share options granted
On 20 April 2021	25% of the total number of share options granted

17 November 2017

Share options granted on 17 November 2017 shall vest according to the following time schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant. The closing price immediately before the date on which the options were granted on 17 November 2017 was HK$9.49.

Share Option Vesting Date	Percentage of Shares Options to Vest
On 17 November 2018	25% of the total number of share options granted
On 17 November 2019	25% of the total number of share options granted
On 17 November 2020	25% of the total number of share options granted
On 17 November 2021	25% of the total number of share options granted

During the year ended 31 December 2017, no share options under the Share Option Scheme have been granted to a Director, chief executive of substantial shareholder of the Company, nor an associate of any of them, save as disclosed above.

SHARE AWARD SCHEME

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 (the "**Adoption Date**"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at their absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Share Award Scheme. The awarded shares (where the Board has determined such number pursuant to the terms of the Share Award Scheme) shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the shareholders of the Company in the annual general meeting of the Company from time to time, unless separate Shareholders' approval is obtained in a general meeting of the Company, or (ii) acquired by Computershare Hong Kong Trustees Limited, as the trustee ("**Trustee**") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board. The Company will contribute or grant cash to the Trustee to enable the Scheme to operate with necessary funds to purchase and/or subscribe for Shares. The vesting period shall, in any event, be no longer than ten years.

It is intended that the awarded shares under the Share Award Scheme will be offered to the selected grantees to take up the relevant awarded shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the awarded shares under the Share Award Scheme.

Awarded shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the reference date (the date of final approval by the Board of the total number of Shares to be awarded to the selected grantees in a single occasion pursuant to the Share Award Scheme or the date of an award by the Trustee pursuant to the trust deed) and on each relevant vesting date(s) an eligible person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the awarded shares can vest.

The Board shall not make any further award which will result in the number of shares awarded by the Board under the Share Award Scheme in excess of 10% of the issued share capital of the Company as at the Adoption Date. In any event, the unvested shares held by the Trustee at any time shall be less than 5% of the issued share capital of the Company. The maximum number of Shares to all controlling shareholders which may be subject to an award or awards in any of the 12 months shall not in aggregate exceed 2% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

During the year ended 31 December 2017, the Company granted the following awarded shares to certain selected grantees at nil consideration. None of the grantees is a Director, chief executive or substantial shareholder of the Company or an associate of any of them.

20 April 2017

On 20 April 2017, the Board granted 2,210,172 awarded shares which shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 20 April 2018	25% of the total number of awarded shares granted
On 20 April 2019	25% of the total number of awarded shares granted
On 20 April 2020	25% of the total number of awarded shares granted
On 20 April 2021	25% of the total number of awarded shares granted

27 June 2017

On 27 June 2017, the Board granted a total of 591,297 awarded shares which shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 27 June 2018	25% of the total number of awarded shares granted
On 27 June 2019	25% of the total number of awarded shares granted
On 27 June 2020	25% of the total number of awarded shares granted
On 27 June 2021	25% of the total number of awarded shares granted

8 September 2017

On 8 September 2017, the Board granted a total of 830,000 awarded shares which shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 8 September 2018	25% of the total number of awarded shares granted
On 8 September 2019	25% of the total number of awarded shares granted
On 8 September 2020	25% of the total number of awarded shares granted
On 8 September 2021	25% of the total number of awarded shares granted

17 November 2017

On 17 November 2017, the Board granted a total of 996,751 awarded shares which shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 17 November 2018	25% of the total number of awarded shares granted
On 17 November 2019	25% of the total number of awarded shares granted
On 17 November 2020	25% of the total number of awarded shares granted
On 17 November 2021	25% of the total number of awarded shares granted

Particulars of the movements of the awarded shares under the Share Award Scheme during the year ended 31 December 2017 are as followings:

Date of grant	Outstanding as at 31 December 2016	Grant during the year	Vested during the year	Lapsed/ forfeited during the year	Balance as at 31 December 2017
25 March 2014	700,500	—	350,250	—	350,250
11 August 2014	401,646	—	194,079	13,458	194,109
21 November 2014	116,050	—	58,025	—	58,025
23 March 2015	1,912,688	—	617,975	70,417	1,224,296
10 September 2015	624,000	—	195,625	41,125	387,250
8 April 2016	580,731	—	136,493	56,551	387,687
3 June 2016	867,737	—	179,432	150,000	538,305
30 August 2016	3,014,801	—	743,694	100,000	2,171,107
18 November 2016	1,193,485	—	290,867	30,000	872,618
20 April 2017	—	2,210,172	—	70,000	2,140,172
27 June 2017	—	591,297	—	—	591,297
8 September 2017	—	830,000	—	15,000	815,000
17 November 2017	—	996,751	—	20,000	976,751
Total	**9,411,638**	**4,628,220**	**2,766,440**	**566,551** (Note)	**10,706,867**

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

Save as disclosed above, during the year ended 31 December 2017, no awarded shares were granted, vested, or lapsed under the Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2017 and up until the date of this report, except that as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme" and "Share Award Scheme", none of the Directors or chief executives of the Company was granted any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme.

Save as disclosed above and in the section headed "Disclosure of Interest as per registers kept pursuant to the SFO" in this report, at no time for the year ended 31 December 2017 were there rights to acquire benefits by means of the acquisition of Shares in, or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

COMPETING INTEREST

None of the Directors or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the year ended 31 December 2017.

DEED OF NON-COMPETITION

Each of the members of the New Concert Group has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition. The independent non-executive Directors have reviewed the status of compliance and confirmed that the New Concert Group have complied with all the undertakings under the Deed of Non-competition for the year ended 31 December 2017.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2017 or at any time during the year ended 31 December 2017.

DIRECTORS' REPORT

CHANGES IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the listing Rules, the changes of information of the Directors are set below:

1. Mr. Zongjian Cai ceased to be a director of Tap Media Technology Inc.

2. Mr. Hong Zhang ceased to be a director of Tap Media Technology Inc.

3. Mr. Yuan Chi ceased to be a director of Tap Media Technology Inc. and Tap Media Technology Pte. Ltd. respectively.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme" and "Share Award Scheme", as at the end of and during the year ended 31 December 2017, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

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

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

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

Month of Purchase	Number of Shares Purchased	Price per Share Highest Price Paid HK$	Price per Share Lowest Price Paid HK$	Total Paid HK$
January 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	16,406,000	8.00	7.45	127,856,592
Total	**37,624,000**			

All of the shares bought back were cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 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. The Board considers that the value of the Shares in the capital market is significantly undervalued. The market value of which is far below their intrinsic value, taking into account the Group has sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the share repurchase and subsequent cancellation of the repurchased shares can improve the return to shareholders.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules and, following the Transfer of Listing, 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.

RELATED PARTY TRANSACTIONS

Details of certain related party transactions entered into by the Group during the year ended 31 December 2017 set out in note 28 to the consolidated financial statements constituted connected transactions under the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed elsewhere in the annual report, the Company had not entered into connected transactions which were required to be disclosed under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Structured Contracts

Background

The existing PRC laws and regulations restrict foreign investment in value-added telecommunication, Internet content and information services, and online games in the PRC. The wholly-owned subsidiary of the Company, Fuzhou Tianji, being a foreign owned enterprise, does not have the requisite licenses to provide services regarding value-added telecommunication, Internet content and information services, and online games in the PRC.

In order to comply with PRC laws restricting foreign ownership in the value-added telecommunication in China, or foreign ownership prohibitions on Internet content and information services, the Group historically operated the licensing and publishing of self-developed browser games and client-based games in China through Fuzhou Tianmeng. Fuzhou Tianmeng, as a domestic company, holds an ICP License, Internet Culture Operating License and Internet Publishing License. In addition, Fuzhou Tianmeng holds certain of the Group's intellectual properties and is also partially vested with the Group's online games development functions.

Major Terms of the Structured Contracts

In 2007, Fuzhou Tianji, the Founders and Fuzhou Tianmeng entered into the Structured Contracts, as supplemented by the agreements in 2009 and 2013, pursuant to which the financial results of Fuzhou Tianmeng would be combined with the Company as if Fuzhou Tianmeng were a subsidiary of the Group.

(i) Call Option Agreement: on 30 November 2007, Fuzhou Tianji, Fuzhou Tianmeng and the Founders entered into an exclusive acquisition rights agreement (as supplemented by a supplemental agreement dated 16 September 2013 entered into by the same parties, collectively the "**Call Option Agreement**"), pursuant to which the Founders irrevocably granted the exclusive right to Fuzhou Tianji to require the Founders to transfer their equity interest in Fuzhou Tianmeng to Fuzhou Tianji.

(ii) Equity Pledge Agreement: on 30 November 2007, Fuzhou Tianji and the Founders entered into an equity interest pledge agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively the "**Equity Pledge Agreement**"), pursuant to which Fuzhou Tianji was entitled to exercise its rights to sell the Founders' pledged interest in the registered capital of Fuzhou Tianmeng on the occurrence of certain specified events.

(iii) Power of Attorney of Mr. Zongjian Cai: on 30 November 2007, Mr. Zongjian Cai issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Zongjian Cai, collectively the "**Power of Attorney of Mr. Zongjian Cai**"), pursuant to which Mr. Zongjian Cai authorised Fuzhou Tianji to exercise all the shareholders' rights of Mr. Zongjian Cai in Fuzhou Tianmeng.

(iv) Power of Attorney of Mr. Yuan Chi: on 30 November 2007, Mr. Yuan Chi issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Yuan Chi, collectively the "**Power of Attorney of Mr. Yuan Chi**"), pursuant to which Mr. Yuan Chi authorized Fuzhou Tianji to exercise all the shareholders' rights of Mr. Yuan Chi in Fuzhou Tianmeng.

(v) Exclusive Technical Consulting Service Agreement: on 30 November 2007, Fuzhou Tianji and Fuzhou Tianmeng entered into an exclusive technical consulting service agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively, "**Exclusive Technical Consulting Service Agreement**"), pursuant to which Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng in consideration of services fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Fuzhou Tianmeng, to be paid on a quarterly basis.

(vi) Online Game Licensing Agreement: on 16 September 2013, Fuzhou Tianji and Fuzhou Tianmeng entered in an agreement for online game licensing (the "**Online Game Licensing Agreement**"), pursuant to which Fuzhou Tianji will license various online game software to Fuzhou Tianmeng for operation in the PRC market for a consideration of an initial licensing fee and commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

Contribution of the Structured Contracts to the Group

The Directors are of the view that the Group kept the Structured Contracts to maintain presence in the PRC for further development but the business and operation of the Group do not rely on Fuzhou Tianmeng or the Structured Contracts.

The tables below compare the number of games operated, game revenue and assets attributable to Fuzhou Tianmeng during the year ended 31 December 2017:

Number of games operated:

	Developed in-house	Licensed
	As at 31 December 2017	
Fuzhou Tianmeng	0	1

Game revenue*:

	Revenue attributable to the relevant entity	Percentage of the total revenue of the Group
	For the year ended 31 December 2017	
	US$'000	%
Fuzhou Tianmeng	3,933	0.7

* Game revenue is from external customers.

Assets:

	Assets attributable to the relevant entity	Percentage of the total assets of the Group
	As at 31 December 2017	
	US$'000	%
Fuzhou Tianmeng	12,042	3.8

On-going reporting and approvals

The Directors confirmed that, as at the date hereof, the Structured Contracts had not been challenged by the relevant authorities in the PRC and the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng under the Structured Contracts.

The Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the year ended 31 December 2017.

- The independent non-executive Directors will review Structured Contracts annually and confirmed in the annual reports that (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng deducting all related expenses, costs and the taxes payable by it has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng to its equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Structured Contracts.

- The Company has engaged KPMG as its auditor to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditor will carry out procedures annually to ensure that no dividend has been distributed by Fuzhou Tianmeng to its equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.

- The Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.

- Fuzhou Tianmeng has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

Regulatory Matters in Relation to the Structured Contracts

FITE Regulations

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "**FITE Regulations**"), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008 and 6 February 2016. Pursuant to the FITE Regulations, a foreign investor must establish a Chinese-foreign equity joint venture with a Chinese partner to invest in telecommunications industry. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in basic telecommunications business and value-added telecommunications business. The foreign investor's ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50% except in online data processing and transaction processing (Operating E-commerce) business both of which can be operated by a wholly foreign-owned enterprise according to the Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business. In addition, the FITE Regulations require a foreign investor to demonstrate a good track record and prior experience in providing value-added telecommunications services business before it can acquire any equity interest in a value-added telecommunications services business in the PRC. However, as advised by our PRC legal advisers, Jingtian & Gongcheng, as at the date of this report, there are no administrative or implementing rules in the PRC defining the term "a good track record and prior experience". Our PRC legal advisers, Jingtian& Gongcheng, also advised the disclosures in the Prospectus with regard to the qualification requirements on the Group's business stipulated under the provisions on FITE Regulations remain unchanged since the Listing Date and up to the date hereof.

Draft Foreign Investment Law

On 19 January 2015, the Ministry of Commerce of the PRC (the "**MOC**") published the draft Foreign Investment Law to solicit public comment, which, when finally adopted, will have significant impact on the foreign investment regime of the PRC. The draft Foreign Investment Law was published accompanied by the MOC's notes (the "**Notes**") on, among others, the background, guidelines and principle, and main content of the draft Foreign Investment Law and elaboration on several issues including the treatment of the existing structured contracts arrangement (in other words, VIE arrangements, structured contracts, or contractual arrangements) which were established before the effectiveness of the Foreign Investment Law.

The draft Foreign Investment Law proposes to standardize the market entry requirements and procedures for foreign and domestic investors, replacing the existing requirements for approval of all foreign investments by the competent foreign investment authority, and aims to consolidate and streamline the various regulatory requirements on foreign investment. Meanwhile, the draft Foreign Investment Law redefines the standard of foreign investors and foreign investment in terms of actual control. In particular, where the foreign investors incorporated under the laws of countries or regions other than the PRC, who are under the actual control of PRC investors, engage in any investment as set out in the catalogue of restrictions in the PRC, their investment may be viewed as an investment by PRC investors after the access permission review of the competent foreign investment authorities.

The Notes elaborated three suggested approaches from the academic and practical sectors for public consultation purpose:

(i) reporting: the structured contracts will be permitted to continue following reporting to MOC that the foreign-invested enterprises are actually controlled by PRC investor(s);

(ii) verification: the structured contracts will be permitted to continue following confirmation with MOC that the foreign-invested enterprises are actually controlled by PRC investor(s); or

(iii) approval: the structure contracts being permitted to continue following approval by MOC.

However, the Notes also stated that MOC will broadly seek advices from the public, conduct further research on this issue and then bring out suggestion on its treatment. As advised by our PRC legal advisers, Jingtian & Gongcheng, MOC has yet to publish any official document to clarify the application of abovementioned planned approaches. Our PRC legal advisers, Jingtian & Gongcheng also advises that there is no definite timeline when the new Foreign Investment Law will come into effect.

DIRECTORS' REPORT

As advised by our PRC legal advisers, Jingtian & Gongcheng, considering that the voting rights jointly held by Mr. Zongjian Cai, Ms. Kai Chen, Mr. Zhixiang Chen, Mr. Yuan Xu, all of whom are PRC citizens, and are parties to an act in concert agreement pursuant to which each of them agreed that they would act in concert with each other respect to matters relating to the operation of the company in all material respects, reached approximately 18% as at 31 December 2017, they would exert major influence on the Group and Fuzhou Tianmeng can be regarded as being controlled by PRC investors as defined under the draft Foreign Investment Law, however, as at the date of this report, both of the draft Foreign Investment Law and the Notes have no legal effect. Given this, the Company is of the view that it may not be appropriate at this stage to evaluate the potential impact of the Foreign Investment Law and to formulate any specific measures to keep Fuzhou Tianmeng being controlled by PRC investors. If Fuzhou Tianmeng does not qualify as being controlled by PRC investors when the Foreign Investment Law becomes effective, the Company might be requested to dispose of its interests in Fuzhou Tianmeng. The appropriate risk factors had already been disclosed in the paragraph headed "Risk Factors – Risk Relating to our Contractual Arrangement – There is no assurance that the contractual arrangements between Fuzhou Tianji and Fuzhou Tianmeng will be deemed to be in compliance with existing or future PRC laws and regulations" in the Prospectus.

The Company confirms that if the Structured Contracts are required to be unwind or the Company is required to dispose the interests in Fuzhou Tianmeng in the future, it can engage other domestic publishers with the due qualifications and licenses to operate its online games in the PRC, which may adversely affect the Group's operational and financial performance because engaging other domestic publishers may impose more costs to the Group. However, the Company expects that such adverse impact on the Group's operational and financial performance will not be material considering that (1) the revenue and assets attributable to the Structured Contracts are minor, and (2) there is no legal obstacle for Fuzhou Tianmeng to transfer its assets to Fuzhou Tianji or IGG Singapore, as the case maybe, a subsidiary of the Group.

During the year ended 31 December 2017, the Group has implemented the following measures to ensure the effective operation of the Structured Contracts and the Group's compliance with the Structured Contracts:

- major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- the Company will disclose the overall performance and compliance with the Structured Contracts in its annual/interim report to update the Shareholders and potential investors;
- the Directors will provide periodic updates in the annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations and the development of Foreign Investment Law, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experience to meet these qualification requirements; and
- the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Fuzhou Tianji and Fuzhou Tianmeng to deal with specific issues or matters arising from the Structured Contracts.

B. Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Structured Contracts (collectively referred to as the "Continuing Connected Transactions") and confirmed that during the year ended 31 December 2017:

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

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

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

C. **Confirmation of auditor of the Company**

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

After performing the procedure related to continuing connected transactions, KPMG confirmed that:

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

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

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

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

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

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.

EMPLOYEES

Emolument Policy

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

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

The Company has adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme to motivate and reward Directors and eligible employees. Details of the schemes are set out in the paragraphs headed "Pre-IPO Share Option Scheme", "Share Option Scheme" and "Share Award Scheme" in this report and note 22 to the consolidated financial statements. None of the directors waived any emoluments during the year ended 31 December 2017.

In June 2017, all shareholders of Tapcash Cayman entered into a new shareholders agreement whereby it was agreed that all significant matters relating to operations and finance are required to be unanimously approved by the directors of Tapcash Cayman; and the Company's representation in Tapcash Cayman be reduced to one. In September 2017, following the completion of a subscription of new shares by the individual shareholders of Tapcash Cayman, the shareholding of the Company in Tapcash Cayman was reduced to 45.75% and the Tapcash Cayman ceased to be a subsidiary of the Company.

As a direct and indirect shareholder of Tapcash Cayman, the Company and its associates continue to be an eligible person to participate in the Tapcash Share Option Scheme.

Pension Scheme

Particulars of the pension scheme of the Group are set out in note 2(m)(i)(ii) to the consolidated financial statements.

Key relationship

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

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group primarily consist of hundreds of millions of individual players and licensees of our games. The Group provides customer services for each of the games offered by the Group to cater to the needs of the players. The Group has also adopted various means to strengthen the communication between the players and the Group, including customer service support via live in-game chat, online support or email all year around. The five largest customers of the Group during the year ended 31 December 2017 only accounted for 1.4% of the Group's total revenue. The detailed information of the service for players are set out in the section headed "Corporate Social Responsibility Report - Products and Services" in this annual report.

The Group's suppliers primarily include advertising service providers, payment service providers, licensors of games, and server, data center and bandwidth providers. The Group maintains sound relationships with these suppliers and receives professional and value-added services from them. Most of the key service providers have ongoing business relationship with the Group for years. The largest and five largest suppliers of the Group during the year ended 31 December 2017 accounted for 26.7% and 68.9% of the Group's total purchases respectively.

So far as is known to the Directors, at no time during the year ended 31 December 2017 did a director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital have an interest in any of the Group's five largest customers and suppliers.

BANK LOAN AND OTHER BORROWINGS

The Group did not record any bank loans or other borrowings as at 31 December 2017.

PRE-EMPTIVE RIGHTS

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 as set out in the section headed "Management Discussion and Analysis – Business Review" in this annual report is expressly included in this report and forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the year ended 31 December 2017 and up to the date of this report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

BUSINESS RISKS AND RISK MANAGEMENT

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

Business Risk

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

Financial Risk

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

Compliance Risk

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

Operational Risk

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

DIRECTORS' REPORT

ENVIRONMENTAL PROTECTION

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

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

IMPORTANT EVENTS SINCE THE YEAR END

No important events occurred for the Group since the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2017 and up to the date hereof.

AUDITOR

The financial statements of the Company in respect of the previous three financial years were audited by Ernst & Young. KPMG was first appointed as auditor of the Company to fill the vacancy following the retirement of Ernst & Young at the conclusion of the annual general meeting on 27 June 2017.

The consolidated financial statements for the financial year ended 31 December 2017 have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Zongjian Cai
Chairman

Hong Kong, 9 March 2018

KPMG

To the shareholders of IGG Inc

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IGG Inc ("the Company") and its subsidiaries ("the Group") set out on pages 105 to 172, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

<table>
<tr><th colspan="2">Revenue recognition and computation of deferred revenue</th></tr>
<tr><td colspan="2">Refer to notes 3(a), 5 and 24 to the consolidated financial statements and the accounting policies in note 2(p) (i).</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group generates revenue from its self-developed online games by operating the games under a free to play model while providing the players with the option to purchase Premium Gaming Resources for cash. Premium Gaming Resources are virtual items within the game that can be used to provide the players with additional abilities to enhance their game-playing experience. Players pay for Premium Gaming Resources using payment platforms such as Google Play, Apple App Store, Facebook Payments, major credit cards and PayPal. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group.

The Group recognises revenue from the sales of Premium Gaming Resources ratably over an estimated consumption period. Management has arrived at this judgement after taking into account paying player usage and behavior patterns, and the rights of the players within the games to benefit from the Premium Gaming Resources. At each reporting date, the unamortised portion of income received in respect of Premium Gaming Resource is recognised as deferred revenue.</td><td>Our audit procedures to assess the recognition of revenue and computation of deferred revenue included the following:

• assessing the design, implementation and operating effectiveness of management's key internal controls over the completeness, existence, accuracy and timing of revenue recognition which included involving our internal information technology risk management specialists to assess the relevant general and automated information technology controls;

• inspecting the purchase and usage patterns of the Premium Gaming Resource of the games which individually generate material amounts of revenue to the Group, and the terms of service provided to players by the Group, to understand the terms of the sale on Premium Gaming Resources, including the obligations of the Group derived from the sales of Premium Gaming Resources, and to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;

• assessing the assumptions and judgements made by the management for the consumption periods on selected types of Premium Gaming Resource, on a sample basis, by performing a retrospective review of the historical accuracy of these estimates;</td></tr>
</table>

Revenue recognition and computation of deferred revenue (continued)	
Refer to notes 3(a), 5 and 24 to the consolidated financial statements and the accounting policies in note 2(p) (i).	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified revenue recognition and the computation of deferred revenue as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	• obtaining monthly settlement statements sent by the payment platforms to the Group and the bank-in slips on a sample basis, comparing the settlement amounts on the statements to bank-in slips and reconciling the settlement amounts in the statements to the amounts recorded in the books and records of the Group, and assessing if the reconciling items have been accounted for in accordance with the requirements of the prevailing accounting standards; and • recalculating the Group's revenue and deferred revenue with reference to the major estimations and assumptions and comparing the results to the revenue and deferred revenue recognised by the Group at the year end.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Kai Ming.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

9 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Revenue	5	**607,253**	322,087
Cost of sales		**(192,661)**	(103,184)
Gross profit		**414,592**	218,903
Other income	6	**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		**(663)**	(1,057)
Profit before taxation	7	**179,048**	77,293
Income tax expenses	8(a)	**(23,916)**	(5,670)
Profit for the year		**155,132**	71,623
Attributable to:			
Equity shareholders of the Company		**156,026**	72,616
Non-controlling interests		**(894)**	(993)
Profit for the year		**155,132**	71,623
Earnings per share (in US$ per share)	11		
Basic		**0.1172**	0.0537
Diluted		**0.1142**	0.0522

The notes on pages 112 to 172 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Profit for the year		**155,132**	71,623
Other comprehensive income that may be reclassified subsequently to profit or loss (after reclassification adjustments):			
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		**588**	(420)
Other comprehensive income for the year		**1,747**	(1,095)
Total comprehensive income for the year		**156,879**	70,528
Attributable to:			
Equity shareholders of the Company		**157,773**	71,521
Non-controlling interests		**(894)**	(993)
Total comprehensive income for the year		**156,879**	70,528

The notes on pages 112 to 172 form parts of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Note	2017 US$'000	2016 US$'000
Non-current assets			
Property, plant and equipment	12	**7,125**	7,732
Intangible assets	13	**1,418**	393
Other non-current assets	14	**2,086**	2,226
Interests in an associate and joint ventures	16	**447**	661
Available-for-sale investments	17	**11,770**	8,118
Deferred tax assets	23(b)	**—**	14
		22,846	19,144
Current assets			
Inventories		**126**	—
Trade and other receivables	18	**13,091**	7,712
Funds receivable	19	**60,512**	32,514
Cash and cash equivalents	20	**221,892**	184,061
Total current assets		**295,621**	224,287
Current liabilities			
Trade and other payables	21	**35,626**	23,251
Tax payable	23(a)	**22,551**	4,964
Deferred revenue	24	**32,063**	19,081
Total current liabilities		**90,240**	47,296
Net current assets		**205,381**	176,991
Total assets less current liabilities		**228,227**	196,135

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Note	**2017**	2016
		US$'000	US$'000
Non-current liabilities			
Deferred tax liabilities	23(b)	**409**	480
Total non-current liabilities		**409**	480
NET ASSETS		**227,818**	195,655
CAPITAL AND RESERVES			
Share capital	25(c)	**3**	3
Reserves		**229,170**	195,933
Total equity attributable to equity shareholders of the Company		**229,173**	195,936
Non-controlling interests		**(1,355)**	(281)
TOTAL EQUITY		**227,818**	195,655

Approved and authorised for issue by the board of directors on 9 March 2018.

Zongjian Cai
Director

Jessie Shen
Director

The notes on pages 112 to 172 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		Attributable to equity shareholders of the Company												
	Note	Share capital (note 25(c)) US$'000	Share premium (note 25((d) (i)) US$'000	Share-based payment reserve (note 25((d) (ii)) US$'000	Shares held for share award scheme US$'000	Share repurchased for cancellation US$'000	Fair value reserve (note 25((d) (iv)) US$'000	Statutory reserve US$'000	Other reserve (note 25((d) (v)) US$'000	Exchange reserve (note 25((d) (iii)) US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity 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 year ended 31 December 2017:														
Profit for the year		–	–	–	–	–	–	–	–	–	156,026	156,026	(894)	155,132
Other comprehensive income		–	–	–	–	–	588	–	–	1,159	–	1,747	–	1,747
Total comprehensive income		–	–	–	–	–	588	–	–	1,159	156,026	157,773	(894)	156,879
Losing control of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(180)	(180)
Equity-settled share-based payment	22	–	–	4,087	–	–	–	–	–	–	–	4,087	–	4,087
Shares purchased for the share award scheme	25(c)	–	–	–	(9,492)	–	–	–	–	–	–	(9,492)	–	(9,492)
Repurchase of ordinary shares	25(c)	–	–	–	–	(37,749)	–	–	–	–	–	(37,749)	–	(37,749)
Cancellation of ordinary shares	25(c)	–*	(37,078)	–	–	37,078	–	–	–	–	–	–	–	–
Exercise of share options	25(c)	–*	2,189	(786)	–	–	–	–	–	–	–	1,403	–	1,403
Vesting of awarded shares	25(c)	–	(230)	(1,702)	1,932	–	–	–	–	–	–	–	–	–
Dividends received for share award scheme		–	–	–	–	–	–	–	1,154	–	–	1,154	–	1,154
2016 second interim and special dividend paid	25(b) (ii)	–	–	–	–	–	–	–	–	–	(23,300)	(23,300)	–	(23,300)
2017 first interim and special dividend paid	25(b) (i)	–	–	–	–	–	–	–	–	–	(60,639)	(60,639)	–	(60,639)
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

The notes on pages 112 to 172 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		Attributable to equity shareholders of the Company												
	Note	Share capital (note 25(c))	Share premium (note 25((d) (i))	Share-based payment reserve (note 25((d) (ii))	Shares held for share award scheme	Share repurchased for cancellation	Fair value reserve (note 25((d) (iv))	Statutory reserve	Other reserve (note 25((d) (v))	Exchange reserve (note 25((d) (iii))	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 2016		3	186,870	5,316	(5,829)	(1,669)	(168)	88	153	(1,295)	7,055	190,524	730	191,254
Changes in equity for year ended 31 December 2016:														
Profit for the year		–	–	–	–	–	–	–	–	–	72,616	72,616	(993)	71,623
Other comprehensive income		–	–	–	–	–	(420)	–	–	(675)	–	(1,095)	–	(1,095)
Total comprehensive income		–	–	–	–	–	(420)	–	–	(675)	72,616	71,521	(993)	70,528
Equity-settled share-based payment	22	–	–	2,325	–	–	–	–	–	–	–	2,325	–	2,325
Acquisition of non-controlling interests		–	(19)	–	–	–	–	–	–	–	–	(19)	(18)	(37)
Shares purchased for the share award scheme	25(c)	–	–	–	(5,994)	–	–	–	–	–	–	(5,994)	–	(5,994)
Repurchase of ordinary shares	25(c)	–	–	–	–	(25,574)	–	–	–	–	–	(25,574)	–	(25,574)
Cancellation of ordinary shares	25(c)	–*	(27,243)	–	–	27,243	–	–	–	–	–	–	–	–
Exercise of share options	25(c)	–*	863	(294)	–	–	–	–	–	–	–	569	–	569
Vesting of awarded shares	25(c)	–	83	(965)	882	–	–	–	–	–	–	–	–	–
Dividends received for share award scheme		–	–	–	–	–	–	–	270	–	–	270	–	270
2015 second interim and special dividend paid	25(b) (ii)	–	–	–	–	–	–	–	–	–	(30,158)	(30,158)	–	(30,158)
2016 interim dividend paid	25(b) (i)	–	–	–	–	–	–	–	–	–	(7,528)	(7,528)	–	(7,528)
Balance at 31 December 2016		3	160,554	6,382	(10,941)	–	(588)	88	423	(1,970)	41,985	195,936	(281)	195,655

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

The notes on pages 112 to 172 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

	Note	**2017** **US$'000**	2016 US$'000
Operating activities			
Cash generated from operations	20(b)	**177,125**	78,453
Income tax paid		**(4,889)**	(4,027)
Net cash generated from operating activities		**172,236**	74,426
Investing activities			
Purchases of property, plant and equipment and intangible assets		**(2,370)**	(4,995)
Proceeds from disposal of property, plant and equipment		**55**	13
Payment for purchases of available-for-sale investments		**(4,620)**	(3,350)
Proceeds from disposal of available-for-sale investments		**2,388**	3,027
Dividend received from listed investments		**—**	9
Investments in joint ventures		**(351)**	(1,718)
Cash acquired upon obtaining control of an existing joint venture		**77**	—
Cash disposed of due to losing control of a subsidiary		**(1,345)**	—
Acquisition of non-controlling interests		**—**	(37)
Net cash used in investing activities		**(6,166)**	(7,051)
Financing activities			
Dividends paid		**(83,939)**	(37,686)
Payments for repurchase of shares		**(37,749)**	(25,304)
Payments for purchase of shares for share award scheme		**(8,338)**	(5,994)
Proceeds from exercise of share options	25	**1,403**	569
Net cash used in financing activities		**(128,623)**	(68,415)
Net change in cash and cash equivalents		**37,447**	(1,040)
Cash and cash equivalents at 1 January	20(a)	**184,061**	185,503
Effect of foreign exchange rate changes		**384**	(402)
Cash and cash equivalents at 31 December	20(a)	**221,892**	184,061

The notes on pages 112 to 172 form part of these financial statements.

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 report, there were no controlling shareholders for the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards and International Accounting Standards (IASs) issued by the International Accounting Standard Board ("IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these impact on the accounting policies of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint ventures (see note 2(d)).

In the Company's statement of financial position, investments in subsidiaries are accounted under the equity method.

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

In the Company's statement of financial position, investments in joint ventures are accounted under equity method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Available-for-sale financial assets

Available-for-sale financial investments include non-derivative financial assets in listed and unlisted equity investments and debt securities.

Available-for-sale financial investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(p) (ii) and 2(p) (iii), respectively.

When the investments are derecognised or impaired (see note 2(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Licenses	License period
Trademarks and domain names, software and copyright	3 - 5 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Operating leases

Leases where substantially all of the risks and rewards of ownership of the asset transfer to the lessee are accounted for as finance leases. All other leases are operating leases.

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

(i) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events.

– significant financial difficulty of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i) (ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i) (ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rule Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i) (i) and 2(i) (ii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) Pension scheme — Mainland China

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

(ii) Pension scheme — non-China

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to be vested is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Shares held for share award scheme

As disclosed in note 22 to the financial statements, the Group has set up the Share Award Scheme Trust for the share award scheme, where the Share Award Scheme Trust purchases shares issued by the Group. The consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for share award scheme" and deducted from the Group's equity.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, after deduction of chargebacks and value-added tax. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Online game revenue

The Group primarily operates its online games under free to play model. Players can purchase Premium Gaming Resource (e.g. virtual items) to enhance their game-playing experience. Players can pay for Premium Gaming Resource using different payment platforms such as Google Play, Apple App Store, Facebook Payments, major credit cards and PayPal. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group. These service fees are commonly referred to as channel costs. The Group recognises revenue on a gross basis given it is the principal in these transactions, and records the channel cost under cost of sales in the consolidated statement of profit or loss.

Revenues from the Premium Gaming Resource are recognised ratably over the estimated consumption period. At each reporting date, the unamortised portion of income received in respect of Premium Gaming Resource is recognised as deferred revenue.

(ii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition (Continued)

(iv) Government grants

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

(q) Translation of foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Translation of foreign currencies (Continued)

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

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

(r) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's geographical locations.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Estimation of the consumption period of Premium Gaming Resources

The Group recognises revenue from the sales of Premium Gaming Resources ratably over an estimated consumption period. This consumption period is currently estimated to be one month from the time that the player pays the payment platform to purchase non-refundable game credits. Management has arrived at this judgement after taking into account paying player usage and behavior patterns, and the rights of the players within the games to benefit from the Premium Gaming Resources. Future paying player usage patterns and behaviour may differ from the historical usage patterns and therefore the estimated consumption period may change in the future.

(b) Fair value of share-based compensation expenses

As mentioned in note 22, the Group has granted share options and awarded shares to its employees. The directors have used the binominal model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk-free rate, dividend yield, expected volatility and expected life of options, is required to be made by the directors in applying the binomial model.

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(c) Impairment of available-for-sale financial investments

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

4 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.

4 OPERATING SEGMENT INFORMATION (Continued)

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

	2017	2016
	US$'000	US$'000
Asia	**296,049**	105,092
North America	**159,352**	99,224
Europe	**128,874**	102,061
Others	**22,978**	15,710
	607,253	322,087

Specified non-current assets

	2017	2016
	US$'000	US$'000
Asia	**5,852**	6,336
North America	**1,138**	1,296
Others	**135**	100
	7,125	7,732

5 REVENUE

	2017	2016
	US$'000	US$'000
Online game revenue	606,946	321,606
Others	307	481
	607,253	322,087

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.

6 OTHER INCOME

	2017	2016
	US$'000	US$'000
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	215	143
	4,827	1,668

* 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.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2017	2016
		US$'000	US$'000
(a)	**Staff costs**		
	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	**1,307**	1,046
		50,595	35,973
(b)	**Other items**		
	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

8 INCOME TAX

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

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

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:

	2017	2016
	US$'000	US$'000
Profit before taxation	**179,048**	77,293
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	**100**	—
Actual tax expense	**23,916**	5,670

8 INCOME TAX (Continued)

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.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payment (note)	2017 Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors							
Mr. Zongjian Cai*	63	350	1,994	2	2,409	44	2,453
Mr. Yuan Xu	63	307	1,160	5	1,535	43	1,578
Mr. Hong Zhang	63	240	1,155	4	1,462	37	1,499
Ms. Jessie Shen*	63	263	978	—	1,304	15	1,319
Mr. Feng Chen*	21	26	4	1	52	12	64
Non-executive director							
Mr. Yuan Chi	63	—	—	—	63	30	93
Independent non-executive directors							
Dr. Horn Kee Leong	42	—	—	—	42	10	52
Mr. Dajian Yu	21	—	—	—	21	10	31
Ms. Zhao Lu	21	—	—	—	21	10	31
	420	1,186	5,291	12	6,909	211	7,120

9 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Retirement scheme contributions US$'000	Sub-Total US$'000	Equity-settled share-based payments (note) US$'000	2016 Total US$'000
Executive directors							
Mr. Zongjian Cai*	60	189	460	3	712	93	805
Mr. Yuan Xu	60	205	411	13	689	102	791
Mr. Hong Zhang	60	140	406	9	615	96	711
Ms. Jessie Shen*	40	225	349	—	614	33	647
Mr. Feng Chen*	12	24	4	1	41	42	83
Non-executive director							
Mr. Yuan Chi	60	15	—	—	75	74	149
Independent non-executive directors							
Dr. Horn Kee Leong	40	—	—	—	40	35	75
Mr. Dajian Yu	20	—	—	—	20	35	55
Ms. Zhao Lu	20	—	—	—	20	35	55
	372	798	1,630	26	2,826	545	3,371

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

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

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(m) (iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 22.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 4 (2016: 2) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other 1 (2016: 3) individual are as follows:

	2017	2016
	US$'000	US$'000
Salaries and other emoluments	**286**	684
Discretionary bonuses	**1,277**	3,107
Share-based payments	**19**	587
Retirement scheme contributions	**8**	44
	1,590	4,422

The emoluments of the 1 (2016: 3) individual with the highest emoluments are within the following bands:

	2017	2016
	Number of individuals	Number of individuals
HK$5,500,001 - HK$6,000,000	**—**	1
HK$6,500,001 - HK$7,000,000	**—**	1
HK$7,500,001 - HK$8,000,000	**—**	1
HK$12,000,001 - HK$12,500,000	**1**	—
	1	3

11 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:

	2017	2016
	'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	**(13,439)**	(35,678)
Weighted average number of ordinary shares at 31 December	**1,330,836**	1,353,477

(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)

	2017	2016
	'000	'000
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 (note 22)	**27,782**	34,733
Effect of deemed issue of shares under the Company's share award scheme (note 22)	**7,137**	2,219
Weighted average number of ordinary shares (diluted) at 31 December	**1,365,755**	1,390,429

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Computer equipment US$'000	Office equipment and furniture US$'000	Motor vehicles US$'000	Total US$'000
Cost:					
At 1 January 2016	2,696	6,459	829	507	10,491
Exchange adjustments	2	(152)	(47)	(30)	(227)
Additions	2,904	1,269	251	61	4,485
Disposals	—	(492)	(151)	(58)	(701)
At 31 December 2016 and 1 January 2017	5,602	7,084	882	480	14,048
Exchange adjustments	372	159	43	32	606
Additions	310	926	110	105	1,451
Disposals	—	(499)	(3)	(200)	(702)
At 31 December 2017	6,284	7,670	1,032	417	15,403
Accumulated depreciation:					
At 1 January 2016	96	4,570	265	182	5,113
Exchange adjustments	(1)	(354)	(19)	(11)	(385)
Charge for the year	757	1,159	242	87	2,245
Written back on disposals	—	(459)	(143)	(55)	(657)
At 31 December 2016 and 1 January 2017	852	4,916	345	203	6,316
Exchange adjustments	50	100	19	14	183
Charge for the year	873	1,129	292	91	2,385
Written back on disposals	—	(483)	(3)	(120)	(606)
At 31 December 2017	1,775	5,662	653	188	8,278
Net book value:					
At 31 December 2017	4,509	2,008	379	229	7,125
At 31 December 2016	4,750	2,168	537	277	7,732

13 INTANGIBLE ASSETS

	Trademarks and domain names US$'000	Software US$'000	Copyright US$'000	Licenses US$'000	Total US$'000
Cost:					
At 1 January 2016	426	1,014	1,420	928	3,788
Exchange adjustments	(5)	(30)	(2)	—	(37)
Additions	13	38	121	—	172
At 31 December 2016 and 1 January 2017	434	1,022	1,539	928	3,923
Exchange adjustments	5	138	(92)	—	51
Additions	1,008	338	4	—	1,350
Disposals	—	(45)	—	—	(45)
At 31 December 2017	1,447	1,453	1,451	928	5,279
Accumulated amortisation:					
At 1 January 2016	280	603	1,356	636	2,875
Exchange adjustments	(41)	(38)	128	—	49
Charge for the year	130	272	16	179	597
Impairment loss	—	—	9	—	9
At 31 December 2016 and 1 January 2017	369	837	1,509	815	3,530
Exchange adjustments	5	135	(93)	—	47
Charge for the year	48	141	27	113	329
Written back on disposals	—	(45)	—	—	(45)
At 31 December 2017	422	1,068	1,443	928	3,861
Net book value:					
At 31 December 2017	1,025	385	8	—	1,418
At 31 December 2016	65	185	30	113	393

14 OTHER NON-CURRENT ASSETS

Other non-current assets mainly present housing loans to employees and rental deposits, where the balances were expected to be collected beyond one year.

(Expressed in US dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
IGG Singapore Pte. Ltd. ("IGG Singapore")	Singapore	1,500,000 shares	100%	—	Research and development of games, operation and licensing of online games globally
Skyunion Hong Kong Holdings Limited	Hong Kong	15,000,000 shares	100%	—	Operation and licensing of online games globally
IGG US	USA	1,000,000 shares	100%	—	Provision of sales and marketing support, server hosting services and cash collection services for the Group
Fuzhou Tianji*	PRC	US$8,800,000	—	100%	Research and development of games and provision of global customer support services
Fuzhou Tianmeng**	PRC	RMB10,000,000	—	100%#	Research and development of games and provision of customer support services
IGG Philippines Corp. ("IGG Philippines")	Philippines	100,000 shares	—	100%	Provision of global customer support services

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

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

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

16 INTERESTS IN AN ASSOCIATE AND JOINT VENTURES

Aggregate information of the associate and joint ventures that are not individually material:

	2017 US$'000	2016 US$'000
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	**447**	661
Aggregate amounts of the Group's shares of these associates and joint ventures' losses	**(663)**	(1,057)

17 AVAILABLE-FOR-SALE INVESTMENTS

	2017 US$'000	2016 US$'000
Listed equity investments, at fair value	**—**	968
Unquoted equity investments	**11,770**	7,150
	11,770	8,118

As at 31 December 2017, unquoted investments with a carrying amount of US$11,770,000 (31 December 2016: US$7,150,000) were stated at cost less impairment as their fair value cannot be measured reliably. The unquoted investments mainly include investments of ordinary shares or convertible equity instruments into various startup companies in technology, media and telecom ("TMT") sector. These investments do not have a quoted price in an active market. Startup companies in TMT sector have high rate of failure and management of the Company is of the opinion that the range of reasonable fair value estimates measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group does not intend to dispose of them in the near future.

During the year ended 31 December 2017, the Group sold its listed equity investments at a consideration of US$2,388,000, resulting in a gain of US$832,000, after recyling the corresponding deficit previously recognised under fair value reserve of US$588,000 to the consolidated statement of profit or loss account.

18 TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivable	**890**	1,004
Prepayments	**8,525**	3,844
Deposits	**465**	267
Other receivables	**3,211**	2,597
	13,091	7,712

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:

	2017 US$'000	2016 US$'000
Within 3 months	**735**	613
3 to 6 months	**155**	48
6 months to 1 year	**—**	78
Over 1 year	**—**	265
	890	1,004

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).

18 TRADE AND OTHER RECEIVABLES (Continued)

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

	2017	2016
	US$'000	US$'000
Neither past due nor impaired	**735**	613
Less than 3 months past due	**155**	48
3 to 6 months past due	**—**	78
6 months to 1 year past due	**—**	265
	890	1,004

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.

19 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).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 US$'000	2016 US$'000
Cash and bank balance	**221,892**	184,061

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

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2017 US$'000	2016 US$'000
Profit before taxation		**179,048**	77,293
Adjustments for:			
Dividend income from available-for-sale investments	6	**—**	(9)
Gain on disposal of available-for-sale investment	6	**(832)**	—
Share of results of an associate and joint ventures	16	**663**	1,057
Loss on disposal of items of property, plant and equipment	7(b)	**41**	34
Depreciation	7(b)	**2,385**	2,245
Amortisation of intangible assets	7(b)	**329**	597
Equity-settled share-based payment costs	7(a)	**4,087**	2,325
Changes in working capital:			
Increase in inventory		**(126)**	—
Increase in funds receivable		**(29,514)**	(18,499)
Increase in trade and other receivables		**(5,925)**	(3,871)
Increase in trade and other payables		**13,847**	15,415
Increase in deferred revenue		**12,982**	1,562
Decrease in other non-current assets		**140**	304
Cash generated from operations		**177,125**	78,453

21 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:

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

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

(Expressed in US dollars unless otherwise indicated)

22 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:

	2017		2016	
	Weighted average exercise price US$	**Number of options**	Weighted average exercise price US$	Number of options
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**	**(25,000)**	0.0865	(190,000)
Outstanding at the end of the year	**0.0630**	**22,381,000**	0.0619	36,874,412
Exercisable at the end of the year	**0.0630**	**22,381,000**	0.0598	33,944,412

(Expressed in US dollars unless otherwise indicated)

22 SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

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

2017		
Number of options	Exercise price per share US$	Exercise period
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
3,623,500	0.0865	since IPO to 31-03-2023
22,381,000		

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).

(Expressed in US dollars unless otherwise indicated)

22 SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(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:

	2017		2016	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
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**	**(50,000)**	3.55	(230,000)
Outstanding at the end of the year	**4.79**	**7,569,666**	3.92	7,598,500
Exercisable at the end of the year	**3.89**	**3,276,335**	3.95	2,279,086

(Expressed in US dollars unless otherwise indicated)

22 SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Post-IPO Share Option Scheme (Continued)

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

2017 Number of options	Exercise price per share HK$	Exercise period
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
270,000	10.08	17-11-2018 to 16-11-2027
7,569,666		

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), as further detailed in note 25(c) to the financial statements.

(Expressed in US dollars unless otherwise indicated)

22 SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(c) 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 year ended 2017 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 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	—	(2,766,440)	(2,766,440)
At 31 December 2017	12,227,183	10,706,867	22,934,050
Vested but not transferred as at 31 December 2017			—

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.

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017	2016
	US$'000	US$'000
Balance at beginning of the year	**4,964**	3,339
Provision for Corporate income tax for the year	**23,973**	5,652
Withholding Tax	**(1,497)**	—
Income tax paid during the year	**(4,889)**	(4,027)
Balance at end of the year	**22,551**	4,964

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowances in depreciation/ amortisation	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**
Deferred tax arising from:			
At 1 January 2016	454	(6)	448
Charged/(credited) to profit or loss	26	(8)	18
At 31 December 2016	480	(14)	466
At 1 January 2017	480	(14)	466
Charged/(credited) to profit or loss	(71)	14	(57)
At 31 December 2017	409	—	409

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position:

	2017	2016
	US$'000	US$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**—**	(14)
Net deferred tax liability recognised in the consolidated statement of financial position	**409**	480
	409	466

(c) Deferred tax assets not recognised

The Group had tax losses arising in the United States of approximately US$4,030,000 (2016: US$4,232,000). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

(d) Deferred tax liabilities not recognised

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

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries. In the opinion of the directors, it is not probable that the subsidiaries established in Mainland China will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiaries for which deferred tax liabilities have not been recognised totalled approximately US$7,062,000 at 31 December 2017 (2016: US$2,432,000).

24 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.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

Company

	Note	Share capital $'000	Share premium $'000	Share-based payment reserve $'000 (note 25 (d) (ii))	Shares held for share award scheme $'000	Share repurchased for cancellation $'000	Other reserve $'000 (note 25 (d) (v))	Retained profits $'000	Total $'000
Balance at 1 January 2016		3	186,870	5,316	(5,829)	(1,669)	145	25,846	210,682
Changes in equity for 2016:									
Profit for the year		—	—	—	—	—	—	73,549	73,549
Acquisition of non-controlling interests		—	(19)	—	—	—	—	—	(19)
Equity-settled share-based payment		—	—	2,259	—	—	—	—	2,259
Shares purchased for the share award scheme	25(c)	—	—	—	(5,994)	—	—	—	(5,994)
Repurchase of ordinary shares	25(c)	—	—	—	—	(25,574)	—	—	(25,574)
Cancellation of ordinary shares	25(c)	—*	(27,243)	—	—	27,243	—	—	—
Exercise of share options	25(c)	—*	863	(294)	—	—	—	—	569
Vesting of awarded shares	25(c)	—	83	(965)	882	—	—	—	—
Dividends received for share award scheme		—	—	—	—	—	270	—	270
2015 second interim and special dividend paid	25(b)	—	—	—	—	—	—	(30,158)	(30,158)
2016 interim dividend paid	25(b)	—	—	—	—	—	—	(7,528)	(7,528)
Balance at 31 December 2016		3	160,554	6,316	(10,941)	—	415	61,709	218,056

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

Company

	Note	Share capital	Share premium	Share-based payment reserve (note 25 (d) (ii))	Shares held for share award scheme	Share repurchased for cancellation	Other reserve (note 25 (d) (v))	Retained profits	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017		3	160,554	6,316	(10,941)	—	415	61,709	218,056
Changes in equity for 2017:									
Profit for the year		—	—	—	—	—	—	135,491	135,491
Equity-settled share-based payment		—	—	4,087	—	—	—	—	4,087
Shares purchased for the share award scheme	25(c)	—	—	—	(9,492)	—	—	—	(9,492)
Repurchase of ordinary shares	25(c)	—	—	—	—	(37,749)	—	—	(37,749)
Cancellation of ordinary shares	25(c)	—*	(37,078)	—	—	37,078	—	—	—
Exercise of share options	25(c)	—*	2,189	(786)	—	—	—	—	1,403
Vesting of awarded shares	25(c)	—	(230)	(1,702)	1,932	—	—	—	—
Dividends received for share award scheme		—	—	—	—	—	1,154	—	1,154
2016 second interim and special dividend paid	25(b)	—	—	—	—	—	—	(23,300)	(23,300)
2017 first interim and special dividend paid	25(b)	—	—	—	—	—	—	(60,639)	(60,639)
Balance at 31 December 2017		3	125,435	7,915	(18,501)	(671)	1,569	113,261	229,011

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

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	2017	2016
	US$'000	US$'000
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)	**38,116**	—
	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)	**—**	9,366

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

	2017	2016
	US$'000	US$'000
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)	**9,366**	25,112
	23,300	30,158

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) 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 22)	9,754,588	—*	863	—	—
Shares purchased for the share award scheme	—	—	—	(5,994)	—
Repurchase of ordinary shares	—	—	—	—	(25,574)
Cancellation of ordinary shares	(56,566,000)	—*	(27,243)	—	27,243
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 22)	**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	**(36,944,000)**	**—***	**(37,078)**	**—**	**37,078**
At 31 December 2017	**1,328,453,433**	**3**	**125,435**	**(18,501)**	**(671)**

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

(i) During the year ended 31 December 2017, 7,817,000 shares have been purchased 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.

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related share options are exercised, or be transferred to treasury shares when the related awarded shares are vested and transferred, or be transferred to retained profits should the related options expire or be forfeited.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 2(q).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity investments held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(e) and 2(i) (i).

(v) Other reserve

Other reserve comprises the dividends received for share award scheme.

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital management

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

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

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

	2017	2016
	US$'000	US$'000
Total current liabilities	**90,240**	47,296
Total non-current liabilities	**409**	480
	90,649	47,776
Total current assets	**295,621**	224,287
Total non-current assets	**22,846**	19,144
	318,467	243,431
Gearing ratio	**28.5%**	19.6%

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's trading terms with its customers are mainly on 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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Funds receivable from third-party payment service providers are normally settled within three months. The Company carefully considers and monitors the creditworthiness of these third-party payment service providers.

The Group does not hold any collateral or other credit enhancements over its trade receivable and funds receivable balances. Trade receivable and funds receivable are non-interest-bearing.

(b) Liquidity risk

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

As at 31 December 2017, the Group held cash and cash equivalents of US$221,892,000 (2016: US$184,061,000) and had no bank or other interest bearing borrowings.

(c) Foreign Currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 46.7% (2016: 55.6%) of the Group's revenue were denominated in currencies other than the functional currencies of the operating units making the sales.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Foreign Currency risk (Continued)

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant:

	2017			2016		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax US$'000	Effect on retained profits US$'000	Increase/ (decrease) in in foreign exchange rates	Effect on profit after tax US$'000	Effect on retained profits US$'000
Singapore dollars	5%	1,848	1,848	5%	706	706
	(5)%	(1,848)	(1,848)	(5)%	(706)	(706)
US dollars	5%	558	558	5%	210	210
	(5)%	(558)	(558)	(5)%	(210)	(210)
Hong Kong dollars	5%	1,634	1,634	5%	(518)	(518)
	(5)%	(1,634)	(1,634)	(5)%	518	518

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into US dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

(d) Fair values of financial instruments

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2017 and 31 December 2016, other than the unlisted equity securities disclosed in note 17 for which fair value cannot be reliably measured.

27 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	US$'000	US$'000
Contracted for:	**51**	167

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	US$'000	US$'000
Within 1 year	**1,191**	734
After 1 year but within 5 years	**5,934**	6,297
After 5 years	**—**	1,327
	7,125	8,358

The Group leases certain of its office premises and under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2017	2016
	US$'000	US$'000
Short-term employee benefits	**6,762**	2,826
Equity-settled share-based payment	**151**	545
	6,913	3,371

Total remuneration is included in "staff costs" (see note 7(a)).

(b) Other transactions and outstanding balances with related parties

For the year ended 31 December 2017, the Group received consulting service from Hongbin You, a company wholly owned by a sister-in-law of a director, for an amount of US$54,000 (2016: US$54,000). The amounts payable as at 31 December 2017 was US$4,000 (31 December 2016: US$4,000).

For the year ended 31 December 2017, the Group received customer and marketing services from 199 Digital Co., Ltd, an associate of the Group, and the service fee paid was US$654,000 (2016: US$167,000). The amounts payable as at 31 December 2017 was US$39,000 (31 December 2016: US$ 71,000).

On 28 April 2017, IGG Singapore, a wholly-owned subsidiary of the Company, provided a loan of US$1,000,000 with annual interest rates of 2% to PocketSocial Technologies Inc. ("PST"), a joint venture of the Group. PST has become a wholly-owned subsidiary of the Group since 1 September 2017.

For the year ended 31 December 2017, Tap Media Technology Pte. Ltd., a joint venture of the Group since 17 June 2017, provided advertising services to the Group. The advertising expense recognised for the period from 17 June 2017 to 31 December 2017 was US$1,178,000, and the balance of prepayment as at 31 December 2017 was US$1,233,000 (31 December 2016: nil).

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 US$'000	2016 US$'000
Non-current assets			
Investments in subsidiaries	15	**171,162**	89,868
Interest in joint ventures		**447**	—
Available-for-sale investments		**9,000**	4,550
		180,609	94,418
Current assets			
Prepayments, deposits and other receivables		**124**	2
Amounts due from subsidiaries and a joint venture		**2,497**	116,369
Cash and cash equivalents		**49,466**	8,884
		52,087	125,255
Current liabilities			
Amounts due to subsidiaries		**—**	71
Other payables and accruals		**3,685**	1,546
		3,685	1,617
Net current assets		**48,402**	123,638
Total assets less current liabilities		**229,011**	218,056
NET ASSETS		**229,011**	218,056
CAPITAL AND RESERVES	25		
Share capital		**3**	3
Reserves		**229,008**	218,053
TOTAL EQUITY		**229,011**	218,056

(Expressed in US dollars unless otherwise indicated)

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI") as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that certain of its equity securities investments currently designated as "available for sale" will be designated as FVTOCI upon the adoption of IFRS 9. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(e) and 2(i). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will impact on performance amounts such as profit and earnings per share.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

(a) Classification and measurement (Continued)

With respect to other financial assets currently classified as "available-for-sale" and are not eligible for the designation exception for investments in equity instruments, the Group will reclassified them into financial assets measured at FVTPL. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(e) and 2(i). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances.

As the Group's trading terms with its customers are mainly on cash settlement and the funds (receivable) are collected from very reputable organization with good credit rating and no recent history of default, the Group does not expect any significant impact arising from this change.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements.

Currently, revenue arising from sale of the Premium Gaming Resource is recognised ratably over an estimate of the consumption period.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. 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;

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

IFRS 15, Revenue from contracts with customers (Continued)

- 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.

The Group is assessing whether the current timing of revenue recognition for Premium Gaming Resource will still be appropriate under IFRS 15, and further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

IFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some operating leases as the lessee.

Once IFRS 16 is adopted, lessee will account for its operating leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to US$7,125,000, the majority of which is payable in 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2017	**2016**	**2015**	**2014**	**2013**
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Revenue	**607,253**	322,087	202,546	204,612	87,986
Cost of sales	**(192,661)**	(103,184)	(62,007)	(58,827)	(22,264)
Gross profit	**414,592**	218,903	140,539	145,785	65,722
Other income	**4,827**	1,668	1,378	4,110	592
Selling and distribution expenses	**(159,016)**	(80,102)	(41,652)	(43,064)	(23,246)
Administrative expenses	**(33,444)**	(23,583)	(21,840)	(16,672)	(10,855)
Research and development expenses	**(46,697)**	(35,961)	(26,944)	(17,202)	(9,333)
Fair value loss of redeemable convertible preferred shares	**—**	—	—	—	(14,167)
Other operating expenses	**(551)**	(2,575)	(6,546)	(1,342)	(452)
Share of results of an associate and joint ventures	**(663)**	(1,057)	—	—	—
PROFIT BEFORE TAX	**179,048**	77,293	44,935	71,615	8,261
Income tax expenses	**(23,916)**	(5,670)	(3,687)	(5,223)	(1,313)
PROFIT FOR THE YEAR	**155,132**	71,623	41,248	66,392	6,948
Attributable to:					
Equity shareholders of the Company	**156,026**	72,616	41,492	66,373	6,948
Non-controlling interests	**(894)**	(993)	(244)	19	—

FINANCIAL SUMMARY

	As at 31 December				
	2017	**2016**	**2015**	**2014**	**2013**
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Assets, Liabilities and Equity					
TOTAL ASSETS	**318,467**	243,431	220,126	217,574	151,446
TOTAL LIABILITIES	**90,649**	47,776	28,872	30,295	15,673
TOTAL EQUITY	**227,818**	195,655	191,254	187,279	135,773

DEFINITION

"Board"	the board of directors of the Company
"Business day(s)"	a day on which banks in Hong Kong and the Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
"BVI"	British Virgin Islands
"China" or "PRC"	the People's Republic of China, for the purpose of the annual report, excluding Hong Kong, Macau and Taiwan
"Company"	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Concert Group"	the group of parties acting in concert pursuant to the act in concert agreement, being Mr. Zongjian Cai, Duke Online, Mr. Yuan Chi, Edmond Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"controlling shareholders"	has the meaning ascribed thereto in the Listing Rules
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to Listing Rules
"Director(s)"	the director(s) of the Company
"Duke Online"	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai
"Edmond Online"	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Yuan Chi
"Founders"	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)

DEFINITION

"Fuzhou Tianji"	Fuzhou TJ Digital Entertainment Co., Ltd (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group
"Fuzhou Tianmeng"	Fuzhou Skyunion Digital Co., Ltd (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
"GEM"	Growth Enterprise Market
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group", "IGG", "we", "our" or "us"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IGG Philippines"	IGG Philippines Corp., a company incorporated under the laws of the Philippines on 11 January 2013, which is wholly-owned by IGG Singapore
"IGG Singapore"	IGG Singapore Pte. Ltd. (formerly known as Skyunion Pte. Ltd.), a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company
"IGG US"	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"IP"	"Intellectual Property"
"Listing"	the listing of the Shares on the GEM
"Listing Date"	18 October 2013, on which dealings in Shares first commence on the GEM
"Listing Rules"	the Rules Governing the Listing of the Securities on the Stock Exchange

"Main Board"	stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"MAU"	monthly active users
"Model Code"	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013 (applicable to the Company prior to the Transfer of Listing) and Appendix 10 to the Listing Rules (applicable to the Company immediately after the Transfer of Listing)
"New Concert Group"	the group of parties acting in concert pursuant to the amendment entered on 18 October 2016, being Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Mr. Zhixiang Chen and Ms. Kai Chen
"Pre-IPO Share Option Scheme"	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus of the Company dated 11 October 2013
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities Futures Ordinance, chapter 571 of the laws of Hong Kong
"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
"Share Award Scheme"	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013
"Shareholder(s)"	shareholder(s) of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus

DEFINITION

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Structured Contracts"	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement
"Tapcash Cayman"	Tap Media Technology Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 November 2014, a formerly non-wholly owned subsidiary which became a joint venture of the Company since 16 June 2017
"Tapcash Share Option Scheme"	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules
"USD" or "U.S. dollar(s)" or "US$" and "US cents"	United States dollars and cents, respectively, the lawful currency of the United States of America
"Year"	the year ended 31 December 2017
"%"	per cent

* *If there is any inconsistency between the English and Chinese texts of this report, the English text of this report shall prevail over the Chinese text.*