2018 INTERIM 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

P.O. Box 31119, Grand Pavilion, Hibiscus Way
802 West Bay Road, Grand Cayman
KY1-1205 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

80 Pasir Panjang Road
#18-84 Mapletree Business City
Singapore 117372

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

AUDITOR

KPMG

LEGAL ADVISER AS TO HONG KONG LAWS

Mayer Brown JSM

LEGAL ADVISER AS TO PRC LAWS

Jingtian & Gongcheng

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor, 24 Shedden Road
P.O. Box 1586, Grand Cayman, KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY WEBSITE

www.igg.com

PRINCIPAL BANKS

Citibank N.A. Singapore Branch
Standard Chartered Bank (Singapore) Limited
The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS CONSULTANTS

Wonderful Sky Financial Group Limited

HIGHLIGHTS

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

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

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

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

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

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

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

2 Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK$7.8343=US$1.00 for the Period (for the six months ended 30 June 2017: HK$7.7714=US$1.00), for illustration purpose only. Such conversions shall not be construed as representations that such amount in U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL PRESENCE

The Group, established in 2006, is a renowned developer and publisher of mobile games with a strong global presence and an international user base of 550 million registered users. Leveraging its success in client-based and browser online games, the Group changed its strategy to target the mobile games market in 2013, and has derived over 90% of its revenue from mobile games since 2015. Over the past five years of effort, the Group has developed a wide range of popular mobile games in 21 languages which have garnered critical acclaim and won prestigious awards. Embracing our corporate spirit of "Innovators at Work, Gamers at Heart", the Group is dedicated to creating high-quality and enjoyable games that will stand the test of time.

IGG is headquartered in Singapore with regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, South Korea, Thailand, Belarus, Indonesia, the Philippines and the United Arab Emirates. The Group has users from more than 200 countries and regions worldwide. Over the past years, IGG has aggressively pursued a strategy of globalization in R&D and operations, establishing long-term relationships with hundreds of business partners, including art studios, advertising channels, as well as global platforms such as Apple, Google, Amazon and Microsoft. The Group's international presence and partnerships have enhanced its competitive advantage in the industry.

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

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

BUSINESS REVIEW

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

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

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

Lords Mobile

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

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

Castle Clash

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

Conquerors: Clash of Crowns

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

PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

Revenue by geographical regions

The following table sets forth a breakdown of the Group's revenue by geographical regions of players for the Period and the corresponding period in 2017, respectively:

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

Revenue by games

The following table sets forth a breakdown of the Group's revenue by games for the Period and the corresponding period in 2017, respectively:

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

Cost of sales

The Group's cost of sales for the Period was US$115 million, representing an increase of 32% compared to US$ 87.4 million for the corresponding period in 2017, primarily due to the increase in channel costs as a result of mobile game business growth.

Gross profit and gross profit margin

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

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

Selling and distribution expenses

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

Administrative expenses

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

Research and development expenses

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

Income tax expenses

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

The Company's subsidiary, IGG Singapore has obtained an extension of the Development and Expansion Incentive ("Incentive") from the Economic Development Board of Singapore. Under the Incentive, IGG Singapore will enjoy a concessionary tax rate of 10% on qualifying income from 2017 to 2019, and 10.5% from 2020 to 2021. Non-qualifying income is subject to normal corporate tax rate of 17%.

Capital expenditure

As a game developer and publisher, the Group's capital expenditures were mainly related to the purchases of property, plant and equipment such as servers, computer equipment and intangible assets, such as software and trademark. Capital expenditures for the Period and the corresponding period in 2017 are set forth below:

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

Capital commitment

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

Liquidity and capital resources and gearing ratio

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

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

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

Operating activities

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

Investing activities

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

Financing activities

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

Global trend on privacy and personal data protection

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

Foreign currency risk

The Group's sales and purchases during the Period were mostly denominated in USD and SGD. The management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. Historically, the Group has not incurred any significant foreign currency exchange loss in its operation.

Capital structure

The capital structure of the Company consists of ordinary Shares.

Dividend

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

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

Human Resources

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

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

The Group's total staff-related costs amounted to US$30.0 million for the Period (for the six months ended 30 June 2017: US$23.0 million).

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee of the Company periodically. The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, after evaluating the Group's operating results, individual performance and comparable market statistics.

The Group has adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme to motivate and reward Directors and eligible employees. Details of Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and Share Award Scheme are set out in note 13 to the unaudited interim financial report.

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

Significant investment

During the Period, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2017: nil).

Charges on assets

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

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2018 (31 December 2017: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Period, 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. In addition, the balance of power and authorities is ensured by the operation of the Board, which comprises experienced and high caliber individuals. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors.

MODEL CODE

During the Period, 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 Period.

UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's last published annual report are set out below:

1. The annual Director's fee for Dr. Horn Kee Leong has been increased from US$42,400 to US$55,000 with effect from May 2018. Dr. Leong ceased to be Tat Hong Holdings Ltd's board chairman from July 2018 and was appointed as the independent non-executive chairman of CSC Holdings Limited in July 2018.

2. The annual Director's fee for Mr. Dajian Yu has been increased from US$21,200 to US$30,000 with effect from May 2018. Mr. Yu has ceased to be a director of Efficient Drivetrains Inc. with effect from June 2018.

3. The annual Director's fee for Ms. Zhao Lu has been increased from US$21,200 to US$30,000 with effect from May 2018.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited condensed consolidated interim financial report for the Period.

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

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

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

As at 30 June 2018, 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	266,501,891	20.27%
	Mr. Yuan Xu (Notes 2, 3)	Beneficial owner, interest held jointly with another person	266,501,891	20.27%
	Mr. Hong Zhang (Notes 2, 4)	Beneficial owner, interest held jointly with another person	266,501,891	20.27%
	Ms. Jessie Shen (Note 5)	Beneficial owner	3,978,000	0.30%
	Mr. Feng Chen (Note 6)	Beneficial owner	13,640,000	1.04%
	Mr. Yuan Chi (Note 7)	Interest in a controlled corporation	153,920,000	11.71%
	Dr. Horn Kee Leong (Note 8)	Beneficial owner	430,000	0.03%
	Ms. Zhao Lu (Note 9)	Beneficial owner	440,000	0.03%
	Mr. Dajian Yu (Note 10)	Beneficial owner	830,000	0.06%
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) Pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.

(3) Mr. Yuan Xu was the beneficial owner of 31,269,077 Shares. Mr. Yuan Xu was 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.

(4) Mr. Hong Zhang was the beneficial owner of 11,166,835 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 6,400,000 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 430,000 Shares which may be issued to him upon exercise of the share options granted to him 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 380,000 Shares which may be issued to her upon exercise of the share options granted to her 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 430,000 Shares which may be issued to him upon exercise of the share options granted to him 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 30 June 2018, 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 30 June 2018, 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	266,501,891	20.27%
Mr. Zongjian Cai (Notes 1, 3)	Interest in a controlled corporation, spouse interest, interests held jointly with another person	266,501,891	20.27%
Mr. Yuan Xu (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,501,891	20.27%
Mr. Hong Zhang (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,501,891	20.27%
Ms. Kai Chen (Notes 1, 3)	Beneficial owner, spouse interest, interests held jointly with another person	266,501,891	20.27%
Mr. Zhixiang Chen (Notes 1, 3)	Beneficial owner, interests held jointly with another person	266,501,891	20.27%
Edmond Online (Note 2)	Beneficial owner	153,920,000	11.71%
Mr. Yuan Chi (Note 2)	Interest in a controlled corporation	153,920,000	11.71%

Notes:

(1) Mr. Zongjian Cai was 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 was 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 31,269,077 Shares and was 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 11,166,835 Shares and was deemed to be interested in the 6,400,000 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 was 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 was the beneficial owner of 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.

(3) Pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's 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 three members of the senior management and seven connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. 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 sets 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 Period by category of grantees were as follows:

	Number of Pre-IPO share options			
Category of grantees	**Outstanding as at 31 December 2017**	**Exercised during the Period**	**Lapsed/ forfeited during the Period**	**Outstanding as at 30 June 2018**
Senior management	11,700,000	5,300,000	–	6,400,000
Connected persons (other than members of the senior management)	1,043,000	413,000	–	630,000
Other grantees who have been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	967,000	120,000	–	847,000
Other grantees	8,671,000	2,188,000	–	6,483,000
Total	**22,381,000**	**8,021,000**	**–**	**14,360,000**

Save as disclosed above, no other share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the Period.

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 Stock Exchange's daily quotations sheets on the offer date; and

(c) 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.

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 Period 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 2017**	**Granted during the Period**	**Exercised during the Period**	**Lapsed/ forfeited during the Period**	**Outstanding as at 30 June 2018**
Other employees and eligible persons	11 August 2014	HK$5.47	172,000	–	8,250	20,000	143,750
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	250,000	–	75,000	–	175,000
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	200,000	–	–	–	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	1,910,666	–	175,000	–	1,735,666
Other employees and eligible persons	10 September 2015	HK$2.94	90,000	–	40,000	–	50,000
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
Directors							
Dr. Horn Kee Leong	4 May 2018	HK$12.14	–	180,000	–	–	180,000
Ms. Zhao Lu	4 May 2018	HK$12.14	–	180,000	–	–	180,000
Mr. Dajian Yu	4 May 2018	HK$12.14	–	180,000	–	–	180,000
Total			**7,569,666**	**540,000**	**298,250**	**20,000**	**7,791,416**

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 options vesting date	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 options vesting date	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 all of the non-executive Directors (including (i) Mr. Kee Lock Chua, who resigned as a non-executive Director on 4 August 2015, and (ii) Mr. Xiaojun Li, who resigned as a non-executive Director on 31 December 2015, while excluding Mr. Yuan Chi, who was subsequently 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 options vesting date	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 options vesting date	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 options vesting date	Percentage of share 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. Save as disclosed above, none of the grantees is a Director, chief executive or substantial shareholder of the Company, nor an associate of any of them.

The share options granted shall vest in grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant:

Share options vesting date	Percentage of share 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.

Share options vesting date	Percentage of share 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

4 May 2018

On 4 May 2018, the Company granted a total of 540,000 share options to Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu, all of whom are independent non-executive Directors, with each granted 180,000 share options. 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$12.14 per Share. The closing price immediately before the date on which the options were granted on 4 May 2018 was HK$12.26. Share options granted on 4 May 2018 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 options vesting date	Percentage of share options to vest
On the date of the annual general meeting to be convened in 2019	One-third of the total number of share options granted
On the date of the annual general meeting to be convened in 2020	One-third of the total number of share options granted
On the date of the annual general meeting to be convened in 2021	One-third of the total number of share options granted

Save as disclosed above, during the Period, no other share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

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 Share Award 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.

Details of the Share Award Scheme are set out in the Company's announcement dated 24 December 2013.

During the Period, the Company granted the awarded shares as followings:

23 March 2018

On 23 March 2018, the Board granted a total of 909,798 awarded shares to certain eligible persons pursuant to the Share Award Scheme 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. The awarded share granted shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 23 March 2019	25% of the total number of awarded shares granted
On 23 March 2020	25% of the total number of awarded shares granted
On 23 March 2021	25% of the total number of awarded shares granted
On 23 March 2022	25% of the total number of awarded shares granted

Particulars of the movements of the awarded shares under the Share Award Scheme during the Period are as followings:

Date of grant	Outstanding as at 31 December 2017	Grant during the Period	Vested during the Period	Lapsed/ forfeited during the Period	Balance as at 30 June 2018
25 March 2014	350,250	–	350,250	–	–
11 August 2014	194,109	–	–	–	194,109
21 November 2014	58,025	–	–	–	58,025
23 March 2015	1,224,296	–	599,642	7,919	616,735
10 September 2015	387,250	–	–	7,500	379,750
8 April 2016	387,687	–	110,794	60,967	215,926
3 June 2016	538,305	–	177,518	–	360,787
30 August 2016	2,171,107	–	–	46,875	2,124,232
18 November 2016	872,618	–	–	–	872,618
20 April 2017	2,140,172	–	535,037	–	1,605,135
27 June 2017	591,297	–	143,258	18,250	429,789
8 September 2017	815,000	–	–	30,000	785,000
17 November 2017	976,751	–	–	10,000	966,751
23 March 2018	–	909,798	–	–	909,798
Total	**10,706,867**	**909,798**	**1,916,499**	**181,511** (Note)	**9,518,655**

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

Once vested, at the request of the relevant share award grantees, the awarded shares can be transferred to the relevant share award grantees from the Trustee, or, the Trustee can sell the vested awarded shares for them and subsequently transfer the income arising from such sales to the relevant share award grantees.

Save as disclosed above, during the Period, no other awarded shares were granted, vested, or lapsed under the Share Award Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Period 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 held 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 six months ended 30 June 2018 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

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

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

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

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

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

AUDIT COMMITTEE

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

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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.

The Structured Contracts comprise six agreements, the details of which are summarised below:

(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 Period:

Number of games operated:

	Developed in-house	**Licensed**
	As at 30 June 2018	
Fuzhou Tianmeng	1	1

Game revenue*:

	Revenue attributable to the relevant entity	**Percentage of the total revenue of the Group**
	For the six months ended 30 June 2018	
	US$'000	**%**
Fuzhou Tianmeng	18,243	4.7

* Game revenue is from external customers.

Assets:

	Assets attributable to the relevant entity	**Percentage of the total assets of the Group**
	As at 30 June 2018	
	US$'000	**%**
Fuzhou Tianmeng	18,662	5.0

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 Period.
- 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 auditors to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditors 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 Structure 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) businesses 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.

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 30 June 2018, 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, 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 about 4.7% and 5.0% respectively 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 Period, 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.

By order of the Board
IGG INC
Zongjian Cai
Chairman

Hong Kong, 8 August 2018

REVIEW REPORT ON THE INTERIM FINANCIAL REPORT

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF IGG INC

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 38 to 65 which comprises the consolidated statement of financial position of IGG Inc (the "Company") and its subsidiaries (together the "Group") as of 30 June 2018 and the related consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

8 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 – unaudited

	Note	Six months ended 30 June	
		2018	2017
		US$' 000	US$' 000
			(i)
Revenue	3	**388,495**	273,529
Cost of sales		**(115,406)**	(87,404)
Gross profit		**273,089**	186,125
Other net (loss)/income		**(2,545)**	2,242
Selling and distribution expenses		**(97,672)**	(60,986)
Administrative expenses		**(19,844)**	(13,795)
Research and development expenses		**(28,902)**	(21,713)
Other operating expenses		**(8)**	(296)
Share of results of associates and joint ventures		**(217)**	(608)
Profit before taxation	4	**123,901**	90,969
Income tax expenses	5	**(25,512)**	(14,813)
Profit for the period		**98,389**	76,156
Attributable to:			
Equity shareholders of the Company		**98,613**	76,708
Non-controlling interests		**(224)**	(552)
Profit for the period		**98,389**	76,156
Earnings per share	6		
Basic		**US$0.0754**	US$0.0576
Diluted		**US$0.0740**	US$0.0561

Note:

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

The notes on pages 45 to 65 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018 - unaudited

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

Notes:

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

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

The notes on pages 45 to 65 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 - unaudited

	Note	At 30 June 2018 US$'000	At 31 December 2017 US$'000 (i)
Non-current assets			
Property, plant and equipment	7	**7,517**	7,125
Intangible assets		**912**	1,418
Other non-current assets		**2,362**	2,086
Interest in associates and joint ventures		**1,438**	447
Available-for-sale investments		**—**	11,770
Other financial assets		**8,310**	—
		20,539	22,846
Current assets			
Inventories		**244**	126
Trade and other receivables	8	**11,601**	13,091
Funds receivable	9	**56,529**	60,512
Cash and cash equivalents	10	**282,482**	221,892
		350,856	295,621
Current liabilities			
Trade and other payables	11	**43,350**	35,626
Tax payables		**35,131**	22,551
Deferred revenue		**30,907**	32,063
		109,388	90,240
Net current assets		**241,468**	205,381
Total assets less current liabilities		**262,007**	228,227
Non-current liabilities			
Deferred tax liabilities		**409**	409
		409	409
NET ASSETS		**261,598**	227,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2018 - unaudited

	Note	**At 30 June 2018 US$'000**	At 31 December 2017 US$'000 (i)
CAPITAL AND RESERVES			
Share capital	12(b)	**3**	3
Reserves		**263,174**	229,170
Total equity attributable to equity shareholders of the Company		**263,177**	229,173
Non-controlling interests		**(1,579)**	(1,355)
TOTAL EQUITY		**261,598**	227,818

Note:

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

The notes on pages 45 to 65 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 - unaudited

	Note	Attributable to equity shareholders of the Company											
		Share capital	Share premium	Share-based payment reserve	Shares held for share award scheme	Share repurchased for cancellation	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 31 December 2017		3	125,435	7,981	(18,501)	(671)	88	1,577	(811)	114,072	229,173	(1,355)	227,818
Impact on initial application of IFRS 9	2	–	–	–	–	–	–	–	–	(4,901)	(4,901)	–	(4,901)
Adjusted balance at 1 January 2018		3	125,435	7,981	(18,501)	(671)	88	1,577	(811)	109,171	224,272	(1,355)	222,917
Changes in equity for the six months ended 30 June 2018:													
Profit for the period		–	–	–	–	–	–	–	–	98,613	98,613	(224)	98,389
Other comprehensive income		–	–	–	–	–	–	–	(2,312)	–	(2,312)	–	(2,312)
Total comprehensive income		–	–	–	–	–	–	–	(2,312)	98,613	96,301	(224)	96,077
Equity-settled share-based payment		–	–	2,522	–	–	–	–	–	–	2,522	–	2,522
Repurchase of ordinary shares	12(b)	–	–	–	–	(37,034)	–	–	–	–	(37,034)	–	(37,034)
Cancellation of ordinary shares	12(b)	–*	(32,622)	–	–	32,622	–	–	–	–	–	–	–
Exercise of share options	12(b)	–*	708	(198)	–	–	–	–	–	–	510	–	510
Vesting of awarded shares	12(b)	–	210	(1,756)	1,546	–	–	–	–	–	–	–	–
Dividends received for share award schemes		–	–	–	–	–	–	409	–	–	409	–	409
2017 second interim dividend paid	12(a)	–	–	–	–	–	–	–	–	(23,803)	(23,803)	–	(23,803)
Balance at 30 June 2018		3	93,731	8,549	(16,955)	(5,083)	88	1,986	(3,123)	183,981	263,177	(1,579)	261,598

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2018 - unaudited

	Note	Share capital US$'000	Share premium US$'000	Share-based payment reserve US$'000	Shares held for share award scheme US$'000	Share repurchased for cancellation US$'000	Fair value reserve (recycling) US$'000	Statutory reserve US$'000	Other reserve US$'000	Exchange reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to equity shareholders of the Company												
Balance at 1 January 2017		3	160,554	6,382	(10,941)	–	(588)	88	423	(1,970)	41,985	195,936	(281)	195,655
Changes in equity for the six months ended 30 June 2017:														
Profit for the period		–	–	–	–	–	–	–	–	–	76,708	76,708	(552)	76,156
Other comprehensive income		–	–	–	–	–	588	–	–	337	–	925	–	925
Total comprehensive income		–	–	–	–	–	588	–	–	337	76,708	77,633	(552)	77,081
Losing control of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(180)	(180)
Equity-settled share-based payment		–	–	1,678	–	–	–	–	–	–	–	1,678	–	1,678
Shares purchased for the share award scheme	12(b)	–	–	–	(5,013)	–	–	–	–	–	–	(5,013)	–	(5,013)
Repurchase of ordinary shares	12(b)	–	–	–	–	(6,193)	–	–	–	–	–	(6,193)	–	(6,193)
Cancellation of ordinary shares	12(b)	–*	(6,193)	–	–	6,193	–	–	–	–	–	–	–	–
Exercise of share options	12(b)	–*	1,622	(572)	–	–	–	–	–	–	–	1,050	–	1,050
Vesting of awarded shares	12(b)	–	27	(839)	812	–	–	–	–	–	–	–	–	–
Dividends received for share award schemes		–	–	–	–	–	–	–	301	–	–	301	–	301
2016 second interim and special dividends paid	12(a)	–	–	–	–	–	–	–	–	–	(23,300)	(23,300)	–	(23,300)
Balance at 30 June 2017		3	156,010	6,649	(15,142)	–	–	88	724	(1,633)	95,393	242,092	(1,013)	241,079

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

The notes on pages 45 to 65 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 - unaudited

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Operating activities		
Cash generated from operations	**136,430**	92,766
Income tax paid	**(9,798)**	(2,490)
Net cash generated from operating activities	**126,632**	90,276
Investing activities		
Payment for purchases of equity investments	**(2,000)**	(4,059)
Investment in a joint venture	**(1,209)**	—
Cash disposed of due to losing control of a subsidiary	**—**	(1,345)
Payment for the purchases of property, plant and equipment and intangible assets	**(1,908)**	(1,077)
Proceeds from disposal of available-for-sale investments	**—**	2,388
Proceeds from disposal of property, plant and equipment	**—**	83
Net cash used in investing activities	**(5,117)**	(4,010)
Financing activities		
Dividends paid	**(23,394)**	(22,999)
Payments for repurchase of shares	**(37,034)**	(11,206)
Proceeds from exercise of share options	**510**	1,050
Net cash used in financing activities	**(59,918)**	(33,155)
Net change in cash and cash equivalents	**61,597**	53,111
Cash and cash equivalents at 1 January	**221,892**	184,061
Effect of foreign exchanges rates changes	**(1,007)**	157
Cash and cash equivalents at 30 June	**282,482**	237,329

The notes on pages 45 to 65 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in US dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standard Board ("IASB"). The interim financial report was authorised for issue on 8 August 2018.

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

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of IGG Inc (the "Company") and its subsidiaries (together the "Group") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 37.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The Company's auditor has expressed an unqualified opinion on those financial statements in its report dated 9 March 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

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

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

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

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

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

(b) IFRS 9, Financial instruments

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

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

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

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

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

(i) Classification of financial assets and financial liabilities

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

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

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

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

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

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

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

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

(ii) Credit losses

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

Measurement of ECLs

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

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

Significant increases in credit risk

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

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

Opening balance adjustment

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

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

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

(iii) Transition

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

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

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

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

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

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

(c) IFRS 15, Revenue from contracts with customers

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

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

(i) Timing of revenue recognition

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

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

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

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

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

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

3 REVENUE AND OPERATING SEGMENT INFORMATION

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

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

The Group's customer base was diversified and no customer had transactions with the Group exceeding 10% of the Group's aggregate revenue during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(a) Revenues by geographical regions

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

(b) Specified non-current assets

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

4 PROFIT BEFORE TAXATION

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

(a) Staff costs

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

(b) Other items

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

Note:

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

5 INCOME TAX

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

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

IGG Singapore Pte. Ltd. is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a concessionary tax rate of 10% on qualifying income derived during the six months ended 30 June 2018 (six months ended 30 June 2017: 10%).

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of US$98,613,000 (six months ended 30 June 2017: US$76,708,000) and the weighted average of 1,307,865,000 ordinary shares (six months ended 30 June 2017: 1,331,218,000 ordinary shares) in issue during the interim period.

Weighted average number of ordinary shares (basic)

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

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

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

7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of leasehold improvements, computer equipment and office equipment with a cost of US$1,646,000 (six months ended 30 June 2017: US$431,000).

8 TRADE AND OTHER RECEIVABLES

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

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

9 FUNDS RECEIVABLE

Funds receivable represent balances due from third-party payment service providers for the cash collected from game players who pay for the premium gaming resource. The Company carefully considers and monitors the creditworthiness of the third-party payment service providers.

As at 30 June 2018, all the funds receivable were aged within three months and US$41,000 of loss allowance was provided for the funds receivable (31 December 2017: nil).

10 CASH AND CASH EQUIVALENTS

	30 June 2018 US$'000	31 December 2017 US$'000
Cash at bank and in hand	**271,611**	209,444
Deposits with other financial institutions	**10,871**	12,448
Cash and cash equivalents in the statement of financial position and cash flow statement	**282,482**	221,892

11 TRADE AND OTHER PAYABLES

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

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

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

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

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

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

(b) Share capital and reserves

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

		Number of shares in issue	Issued capital US$'000	Share premium US$'000	Shares held for share award scheme US$'000	Shares repurchased for cancellation US$'000
At 1 January 2018		**1,328,453,433**	**3**	**125,435**	**(18,501)**	**(671)**
Vesting of awarded shares		**—**	**—**	**210**	**1,546**	**—**
Share options exercised (note 13)		**8,319,250**	**—***	**708**	**—**	**—**
Repurchase of ordinary shares	i	**—**	**—**	**—**	**—**	**(37,034)**
Cancellation of ordinary shares		**(21,868,000)**	**—***	**(32,622)**	**—**	**32,622**
At 30 June 2018		**1,314,904,683**	**3**	**93,731**	**(16,955)**	**(5,083)**
At 1 January 2017		1,349,900,187	3	160,554	(10,941)	—
Vesting of awarded shares		—	—	27	812	—
Share options exercised (note 13)		12,310,912	—*	1,622	—	—
Shares purchased for the share award scheme		—	—	—	(5,013)	—
Repurchase of ordinary shares		—	—	—	—	(6,193)
Cancellation of ordinary shares		(8,504,000)	—*	(6,193)	—	6,193
At 30 June 2017		1,353,707,099	3	156,010	(15,142)	—

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

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

13 SHARE OPTION SCHEME AND SHARE AWARD SCHEME

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Post-IPO Share Option Scheme"), approved by the written resolution of shareholders passed on 16 September 2013 (the "Resolution").

Pre-IPO Share Option Scheme

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

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

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

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

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

Post-IPO Share Option Scheme

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

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

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

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

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

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

Share award scheme

The share award scheme of the Company was adopted by the Board on 24 December 2013. The purpose of the share award scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

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

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

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

14 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

All of the unquoted equity investments accounted for under available-for-sale investments and other financial assets are measured based on level 3 valuations.

Available-for-sale financial assets were reclassified to financial assets measured at FVPL upon the adoption of IFRS 9 at 1 January 2018 (see note 2(b)(i)).

(ii) Information about Level 3 fair value measurements

The fair value of unquoted equity investments is determined with reference to the net asset value of the investments.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Unquoted equity investments:		
At 1 January	**11,770**	7,150
Transferred to retained earnings relating to financial assets now measured at FVPL	**(4,827)**	—
Additional investments acquired	**2,000**	4,000
Fair value loss on investments	**(583)**	—
Exchange adjustments	**(50)**	59
At 30 June	**8,310**	11,209

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018.

15 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
Short-term employee benefits	**4,380**	3,195
Equity-settled share-based payment	**23**	119
	4,403	3,314

Total remuneration is included in "staff costs" (see note 4(a)).

(b) Other transactions with related parties

For the six months ended 30 June 2018, the Group received customer and marketing services from 199 Digital Co., Ltd., an associate of the Group, and paid service fees of US$222,000 (six months ended 30 June 2017: US$295,000). The amounts payable as at 30 June 2018 was US$60,000 (31 December 2017: US$39,000).

For the six months ended 30 June 2018, 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$27,000 (six months ended 30 June 2017: US$25,000). The amount payable as at 30 June 2018 was US$4,000 (31 December 2017: US$4,000).

For the six months ended 30 June 2018, the Group received advertising services from Tap Media Technology Pte. Ltd., a joint venture of the Group and incurred advertising expense of US$902,000 (six months ended 30 June 2017: US$100,000). The balance of prepayment as at 30 June 2018 was US$957,000 (31 December 2017: US$1,233,000).

For the six months ended 30 June 2018, the Group provided rental services to Tapcash Inc., a joint venture of the Group and earned US$47,000 (six months ended 30 June 2017: nil).

16 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

IFRS 16, Leases

As discussed in the 2017 annual financial statements, 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. Upon the adoption of IFRS 16, where the group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties US$'000	Others US$'000
Within 6 months	831	237
After 6 months but within 1 year	1,801	119
After 1 year but within 5 years	6,436	—
	9,068	356

Upon the initial adoption of IFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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.

DEFINITION

"Board" or "Board of Directors"	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 this interim 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
"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 the 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)
"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
"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 Singapore"	IGG Singapore Pte. Ltd., a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company
"Listing"	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
"MAU"	monthly active users
"Model Code"	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
"Period"	the six months ended 30 June 2018
"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
"R&D"	research and development
"SFO"	Securities Futures Ordinance, chapter 571 of the laws of Hong Kong
"SGD"	Singapore dollars, the lawful currency of Singapore
"Share(s)"	means ordinary share(s) of US$0.0000025 each in the share capital of the Company
"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)"	the 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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
"U.S. dollar(s)" or "US$" or "USD" and "US cents"	United States dollars and cents, respectively, the lawful currency of the United States of America
"%"	per cent

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