

2015 Annual Results

IGG INC March 2016



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- **Company Overview**
 - **2015 Annual Financial Results**
 - **Business Review and Prospects**

IGG Group, a leading global mobile gaming developer and operator

2015

- Revenue from mobile games accounted for 94%; Castle Clash revenue hit record high;
- The user community of the Group consisted of about 300m user accounts from more than 200 countries and regions, including a total MAU of about 18m;
- To date, the Group has regional offices in 9 countries and regions;
- Listed on the Main Board of HKEx on July 7, stock code: 799.HK.

2014

- Annual revenue surpassed US\$200 million;
- Acquired American game developer 'Nerd Kingdom' at the end of the year.

2013

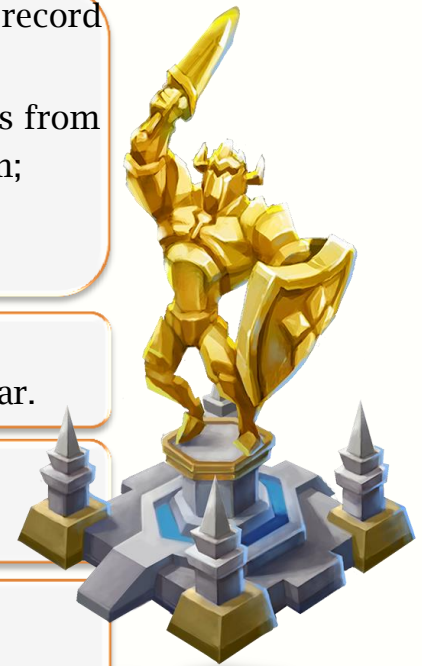
- Hit Title 'Castle Clash' was launched;
- IGG went public on 18 Oct., 2013. Stock code: 8002.HK.

10-12

- Completed two successful transitions from client-based game to browser game and from browser game to mobile game.

06-08

- The group was founded and received VC funding from IDG, Vertex and Hearst



In term of revenue from Google Play in year 2015, IGG ranked No. 14 among the mobile game developers worldwide.



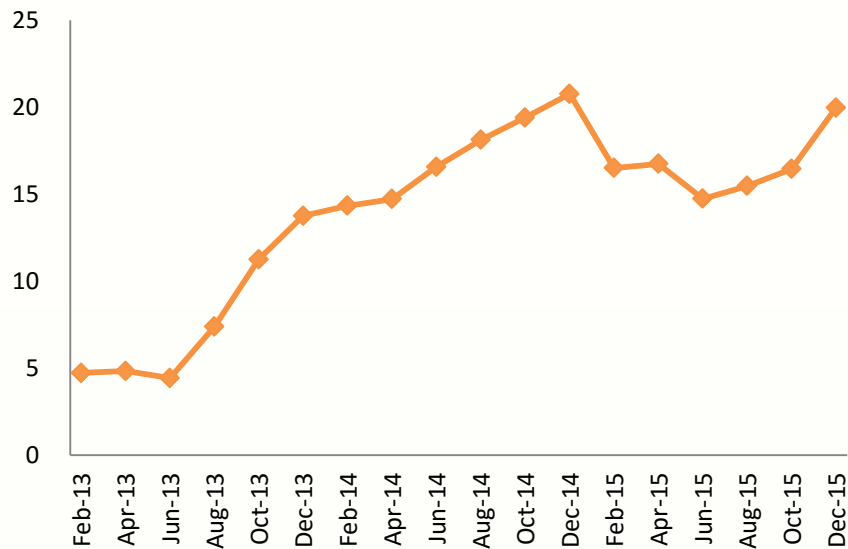
*Data from Appannie.com

Trend of Gross Billings

IGG INC

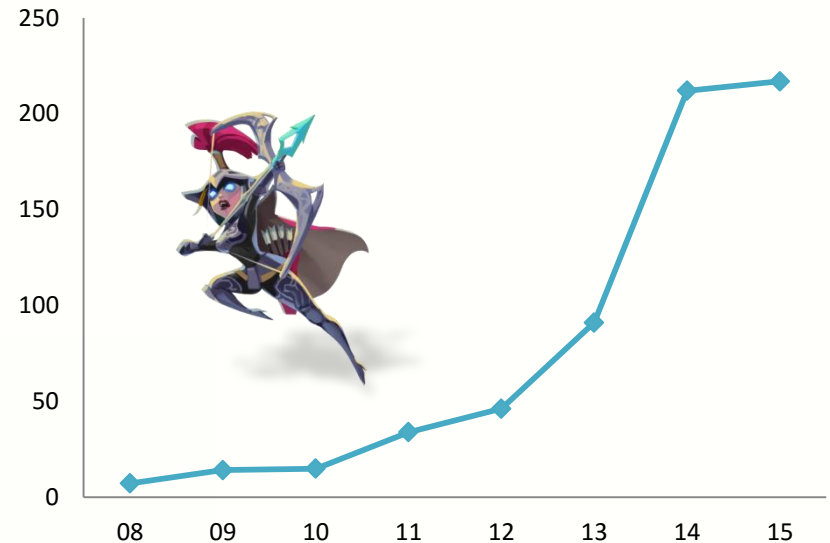
Trend of the Group's
monthly gross billings
Jan. 2013~Dec. 2015

(USD million)



Trend of the Group's
annual gross billings
2008~2015

(USD million)



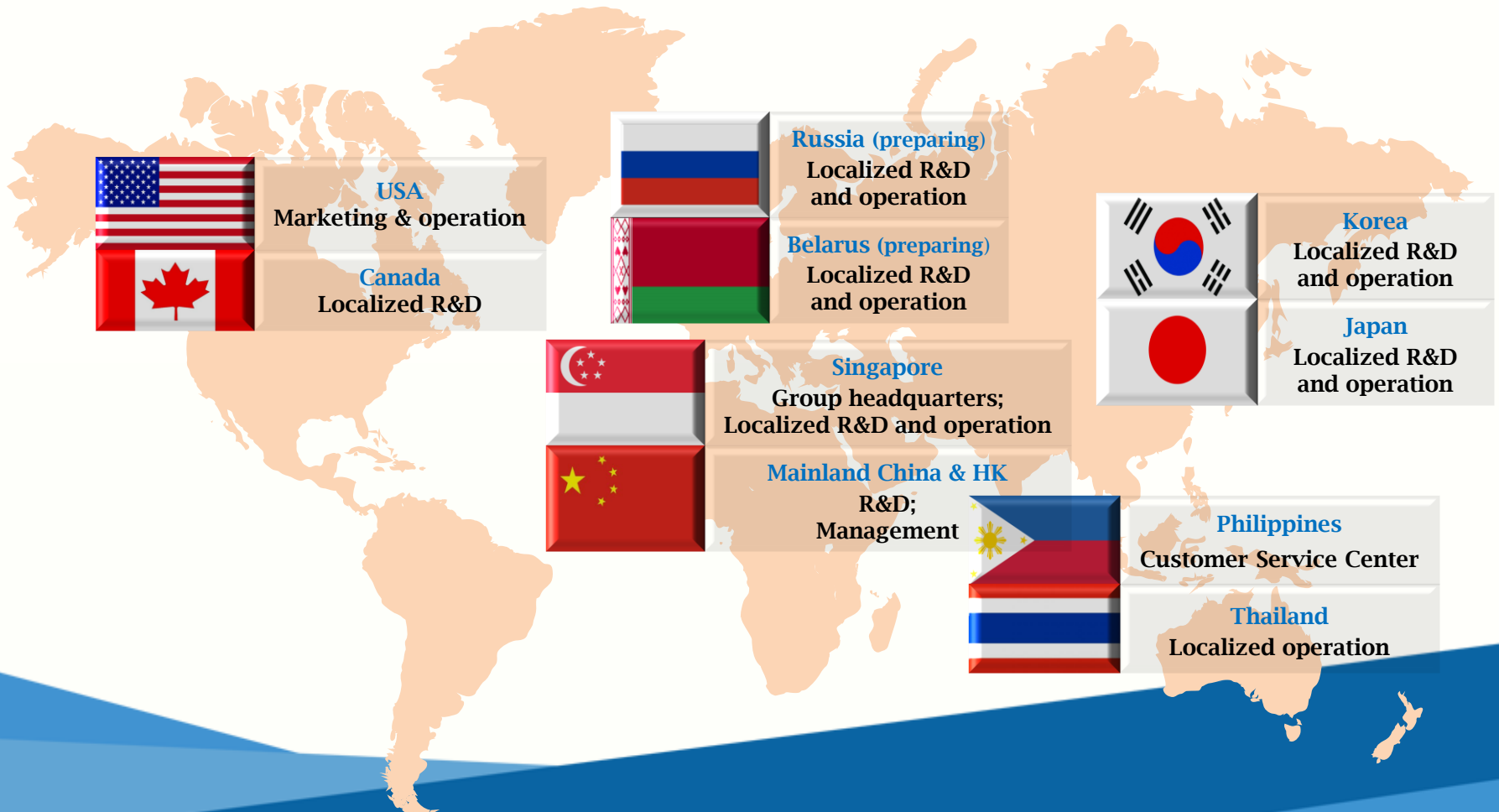
*Data from Appannie.com



- The Group mainly focuses on the development of mid-core strategy games. We have about 20 development teams in total and about 15 mobile games in operation at the end of 2015, including SLG type, simulation type, casino type, etc.
- On day December 31 2015, in terms of gross billing on Google Play, Castle Clash was ranked Top 5 in 17 countries and Top 10 in 48 countries.

*Data from Appannie.com

To achieve globalized R&D and operation by tapping into the potential of each market segment



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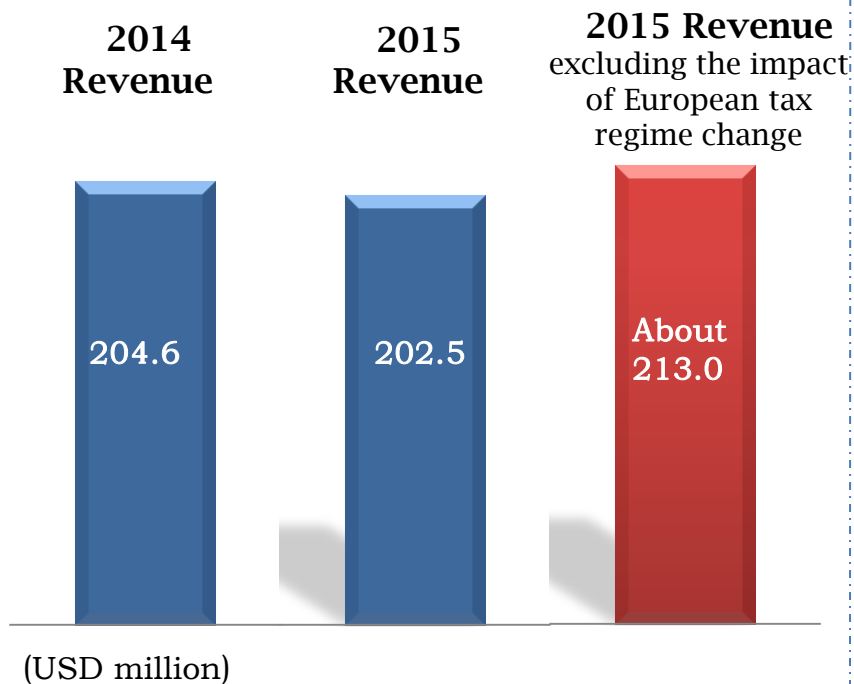
2015 Financial Highlights

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		<i>14FY</i>	<i>15FY</i>	<i>Change</i>	<i>15H1</i>	<i>15H2</i>	<i>Change</i>
Revenue	USD million	204.6	202.5	-1.0%	103.8	98.7	-4.9%
Gross profit	USD million	145.8	140.5	-3.6%	72.0	68.5	-4.9%
Gross profit margin	%	71%	69%	-2ppt	69%	69%	-
Adjusted net income*	USD million	68.6	44.2	-35.6%	26.3	17.9	-31.9%
Adjusted net income margin*	%	34%	22%	-12ppt	25%	18%	-7ppt
Profit attributed to owners of the parent	USD million	66.4	41.5	-37.5%	24.8	16.7	-32.7%
Profit Margin for the period	%	32%	20%	-12ppt	24%	17%	-7ppt
Weighted average number of ordinary shares	Shares million	1360	1382	-	1378	1387	-
Basic earnings per share for the year	USD cents	4.88	3.00	-	1.80	1.20	-

* Adjusted net income represented profit excluding share-based compensation.

Revenue of 2015 vs. 2014



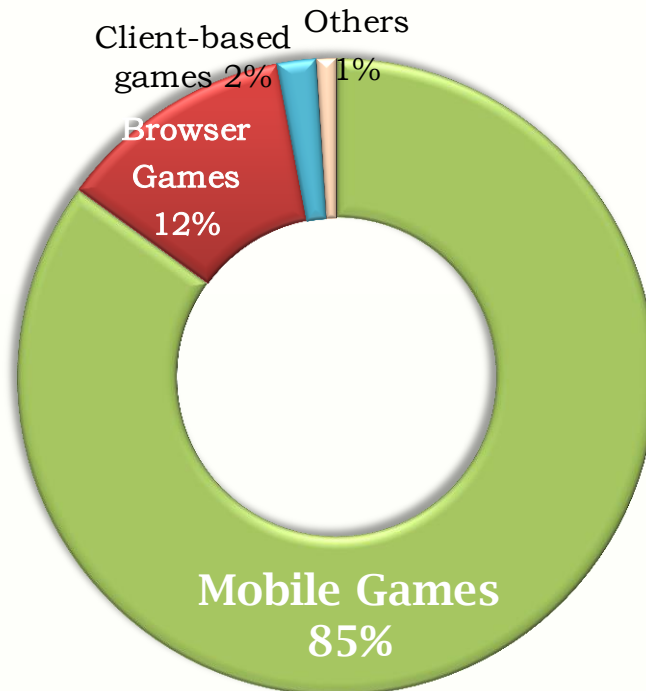
- Due to the tax regime change in European union, Japan and Korea starting from 2015, the Group's revenue decrease was more than USD10 million, excluding this impact, the year on year revenue increase would be over 4%:
- The gross billings increase of Castle Clash was about 1.5%;
- The gross billings increase of Clash of Lords series was about 43.6%.

2015 Revenue Breakdown by Segment

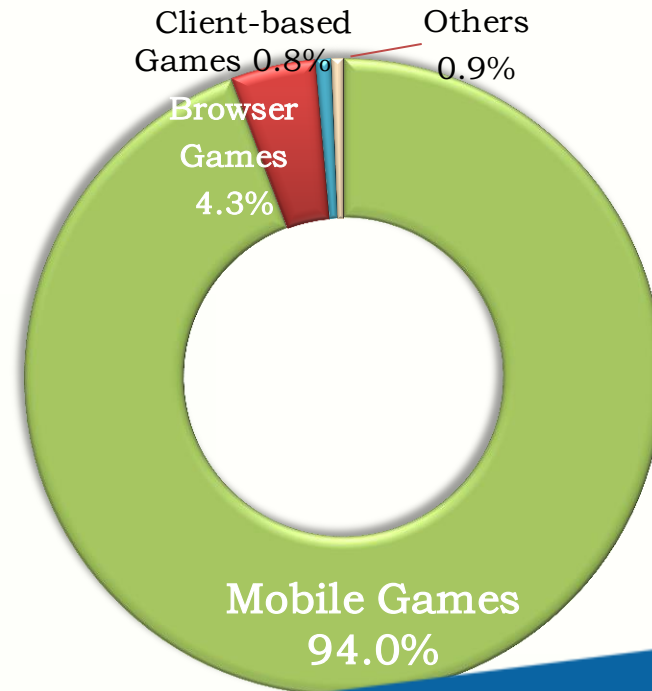
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- The Group's R&D resources has been allocated to mobile games and mobile related software;
- Strategically, the original browser and client-based game business will be maintained without expansion.

14FY



15FY



2015 Revenue Breakdown by Game Title

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14FY

Game title	% of total revenue
Castle Clash	62%
Clash of Lords(I&II)	12%
Texas Poker Deluxe	5%
Galaxy Online II	5%
Wings of Destiny	4%
Slot Machine	3%

15FY

Game title	% of total revenue
Castle Clash	60%
Clash of Lords(I&II)	17%
Deck Heroes	7%
Texas Poker Deluxe	4%
Slot Machine	2%
Wings of Destiny	2%

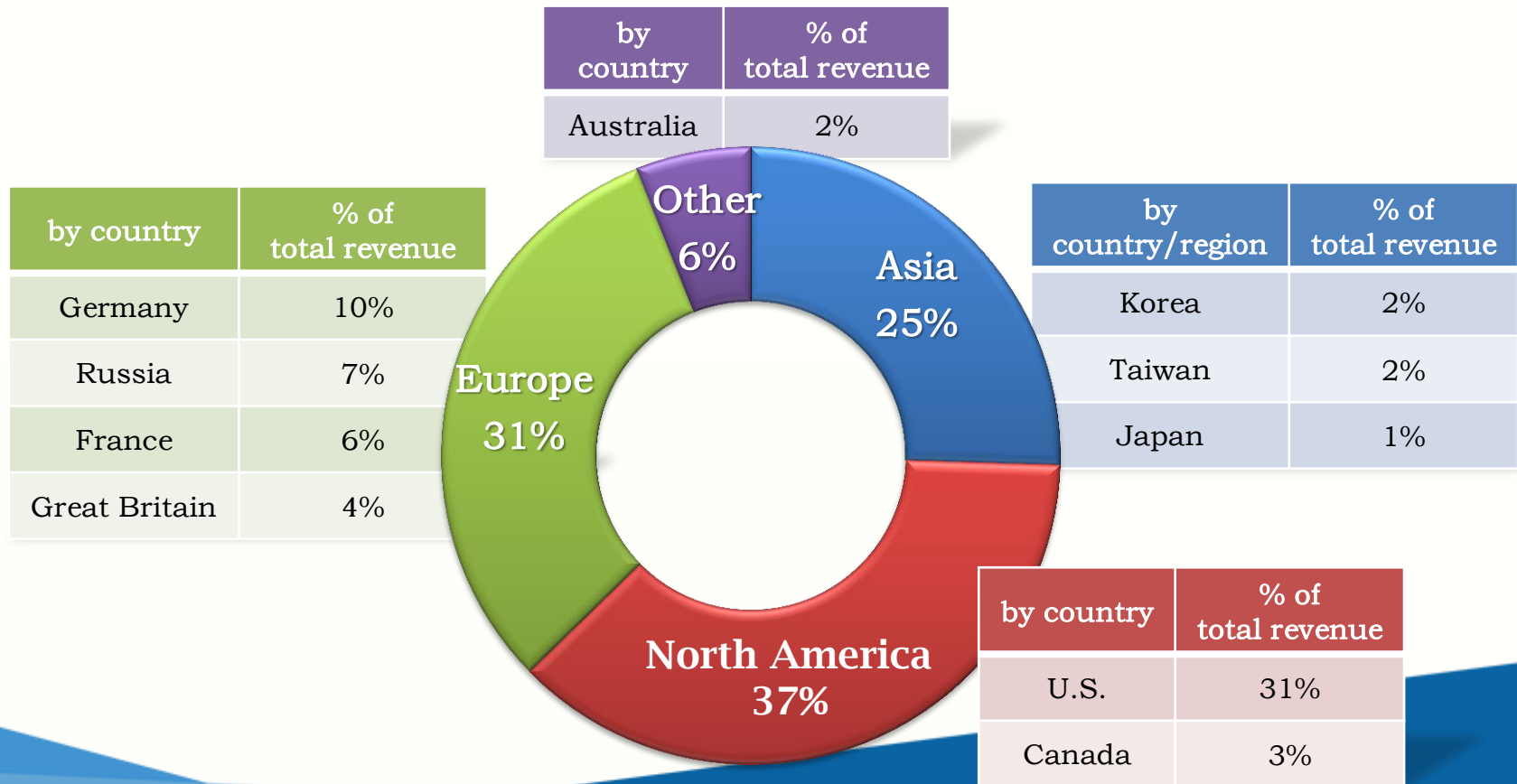
- With more than USD13 million gross billings in Dec. 2015, the revenue of Group's blockbuster game Castle Clash hit record high;
- Clash of Lords series maintained stable growth and the average monthly gross billings in 2015 was over USD3 million;
- The revenue contribution of Deck Heroes, launched in 14H2, significantly increased and the average monthly gross billings was over USD1 million in 2015.



2015 Revenue Breakdown by Region

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The Group's revenue comes from over 200 countries and regions, which dilutes the impact from the revenue and exchange rate fluctuation of certain regions.



◆ Quarterly Adjusted Net Income

(USD million)





Q1

Q2

Q3

Q4

	Title	Launch in	Focus on
	Link	Aug. 2014	Strangers
	Link Messenger	Dec. 2015	Family & Friends

The adjusted net income of 15H2 decreased from 15H1 mainly due to:

- One-off expenses, including fees in relation to transfer of listing and due diligence expenses for potential strategy investment activities in 15H2;
- The Group increased advertising, mainly in Russia and surrounding areas, for self-developed social apps Link and Link Messenger in 15H2, hoping to further tap into the potential of this market by increasing the interaction among players.

2015 Expenses Breakdown

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	14FY	15FY
Gross profit margin	71%	69%
Selling & distribution exp./ Revenue	21%	21%
Administrative exp./ Revenue	8%	11%
R&D costs/Revenue	8%	13%
Adjusted net income margin *	34%	22%

* Adjusted net income represented profit excluding share-based compensation.

- ✓ Channel cost is the major constituent of cost of sales, the channel cost of our mobile game business is approximately 30%, which is higher than that of browser and client-based games;
- ✓ The revenue percentage of mobile games increased to 94% in 2015 from 85% in 2014.

- ✓ The increase of R&D costs was primarily due to the Group allocated more resources in R&D team globally in 2015.

- ✓ The increase of admin. expenses was primarily due to (1) expenses in relation to the Transfer of Listing and due diligence expenses for potential strategy investment activities; (2) the increase in rental fee and staff costs as a result of business expansion in Japan and Korea.

Net Cash and Capex

(USD million)

	Cash & cash equivalents	186
+	Time deposit over three months	0
-	Short-term borrowings	0

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Net cash
USD186 m



Healthy cash position and low capex business nature set the stage for potential M&As over the next few years

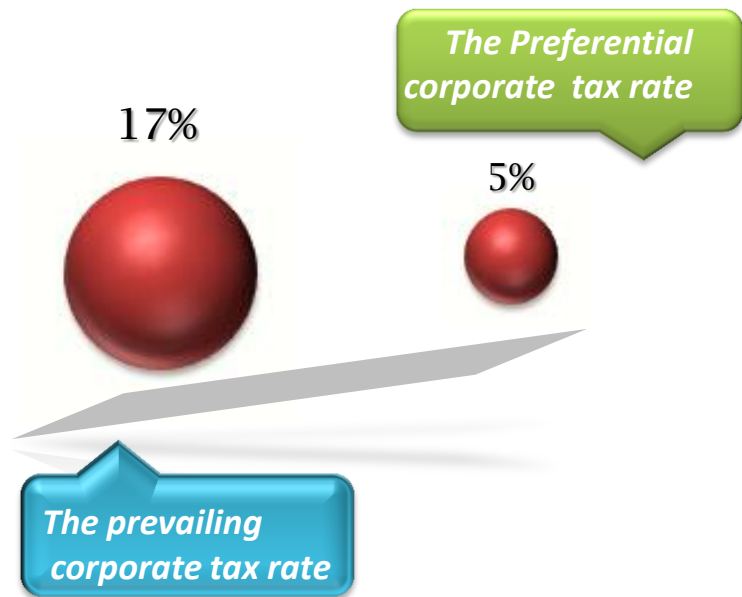
(USD million)

	PP&E such as servers and computer equipment	4.14
+	Intangible assets such as software and trademark	0.31

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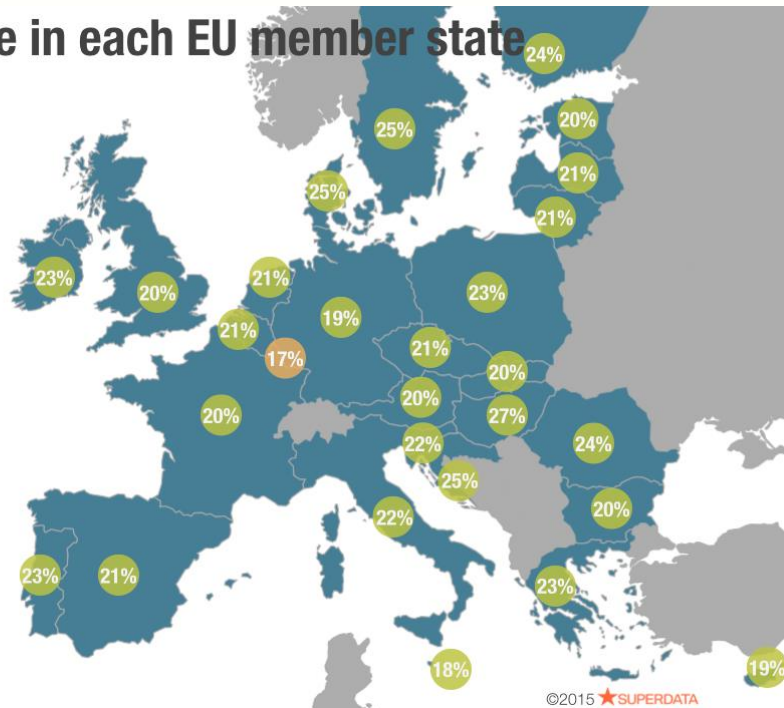
Capex
USD4.45 m

IGG Singapore



- About 99% of our total revenue was recognized through IGG Singapore in 2015;
- From 2010-2016, IGG Singapore is entitled to a preferential tax rate of 5%, subject to meeting certain conditions.

* VAT rate in each EU member state



*Data from superdata.com

- A new EU VAT legislation comes into effect from January 1 2015, according to which, the digital goods or e-services providers will need to account for VAT in the EU member country where its customer lives, at the VAT rate applicable to the buyer's country, rather than charging the seller's country VAT rate as it was before.
- In 2015, about USD74 m gross billings was generated from EU region, resulting in over USD8 m revenue recognition decrease for IGG.
- Effecting from July 1 2015 and Oct. 1 2015, Korea and Japan implemented similar tax legislation change, with 10% and 8% VAT rate, respectively.



Dividend Type	Declaration Date	Total amount (USD million)	Share numbers* (million)	Dividend per share (HK cents)
2015 second Interim dividend	Mar. 25 2016	4.86	1377	2.8
2015 special dividend	Mar. 25 2016	25.14	1377	14.2

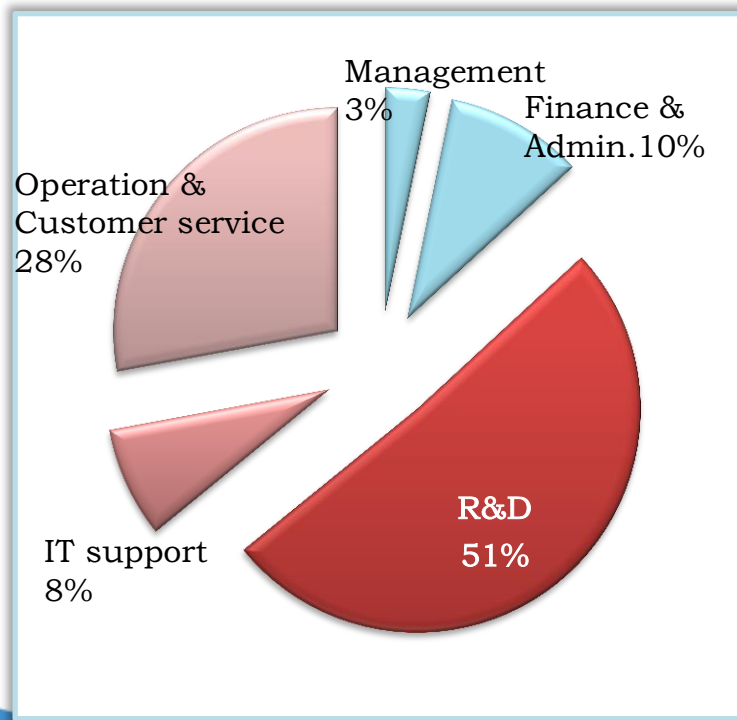
*The outstanding ordinary share numbers as at the end of the corresponding report period.

- The total amount of second 2015 interim dividend accounted for about 30% of 15H2 net profit;
- In consideration of expected sufficient cash flow in 2016, the Group declared special dividend for 2015, accounting for approximately 60% of the 2015 net profit;
- The future dividend payout ratio will be formulated in consideration of the Group's profitability, funding need for M&A and the industry benchmark.

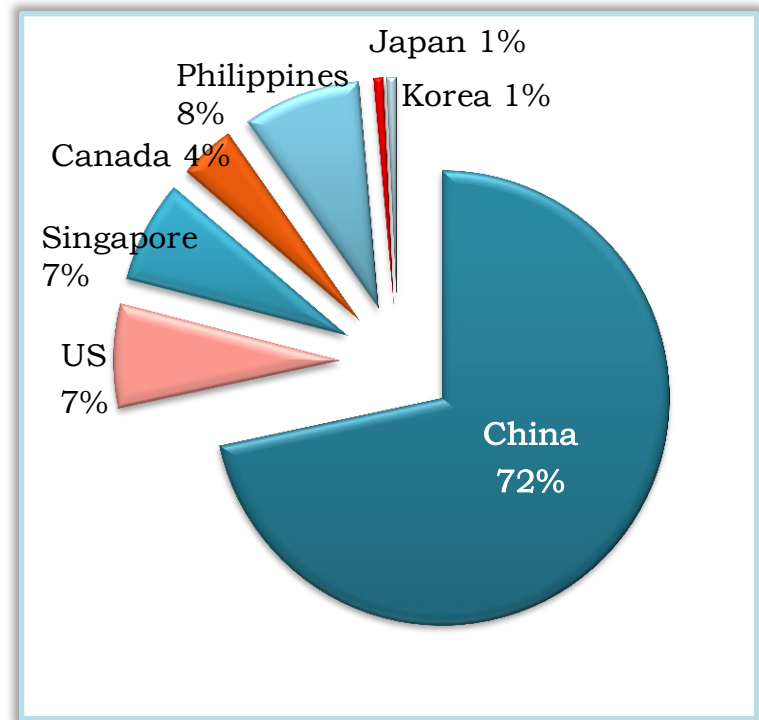
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As at Dec. 31 2015, the Group had 860 employees, including 33 staffs from Nerd Kingdom.

by function

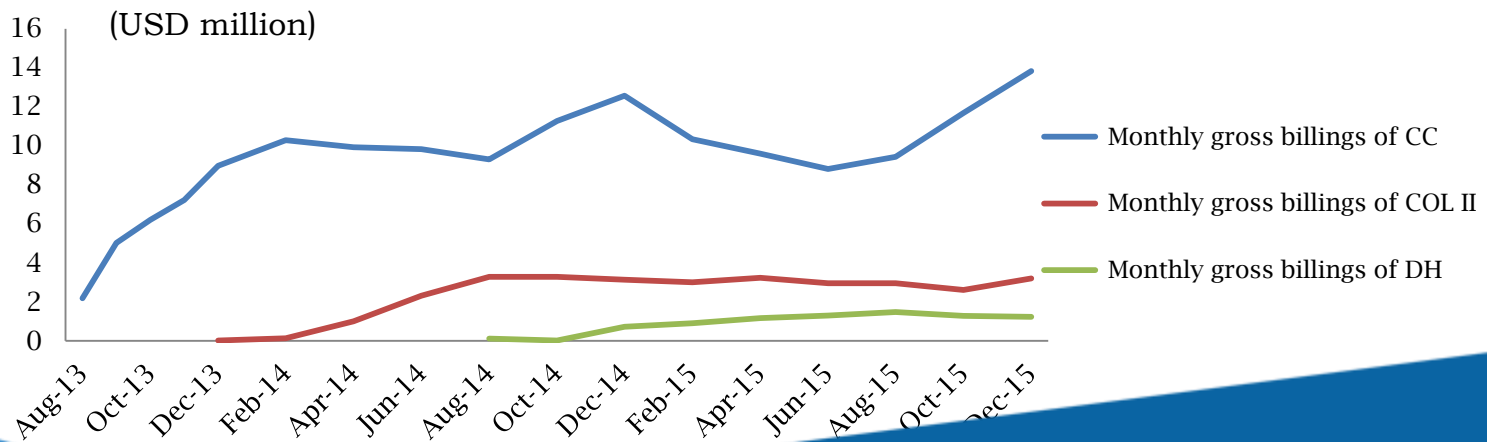


by location





	Castle Clash CC	Clash of Lords II COL II	Deck Heroes DH
Launched in	July 2013	Dec. 2013	July 2014
Numbers of language versions (as at the end of Dec. 2015)	15	11	8
Registered users (as at the end of Dec. 2015)	130m	46m	8.8m
Monthly active users (Dec. 2015)	10m	3m	0.64m



Lords Mobile



- A 16Q1 newly launched real-time war theme strategy game, developed with Unity 3D engine;
- It was the first time for the Group to launch a multi-language version game across different platforms at the same time.





Casino

This game contains several most popular casino games in US and Europe like Slots, Black Jack, Video Poker, Texas HoldEm Poker, etc.

Tiger

It is a multiplayer online real-time strategy game, aside from castle building and heroes collections, Tiger also includes creative elements like:

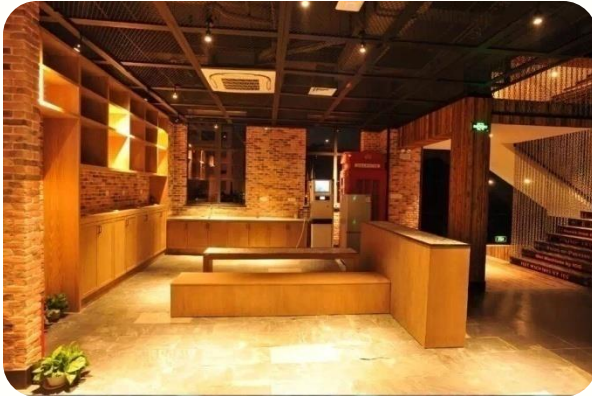
- Alignment, players can choose to join an alliance after reaching certain level and to launch an attack together with their allies;
- Cross-realm Expedition, instead of looking for a target from the map, the game allows the players to easily search for any other players in any place around the world.



Relocation of China Office

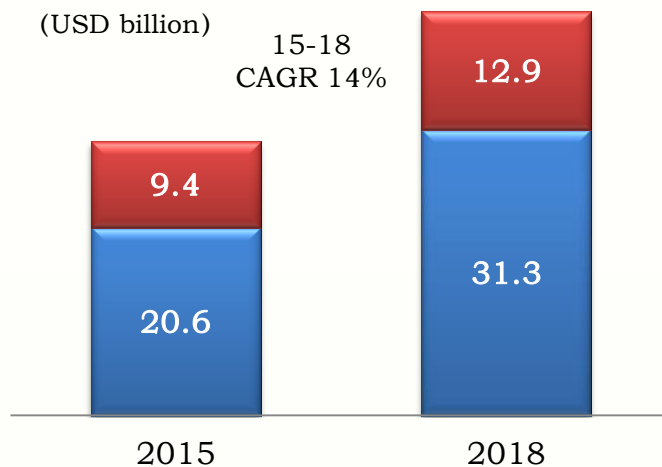
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To foster greater creativity, dynamism and vibrancy among the staff, the Group moved to a bigger and better office in No. 20, Jinji shan Rd., Fuzhou, Fujian in Dec. 2015.



**Revenue of
global mobile game market**

■ Smartphone ■ Tablet

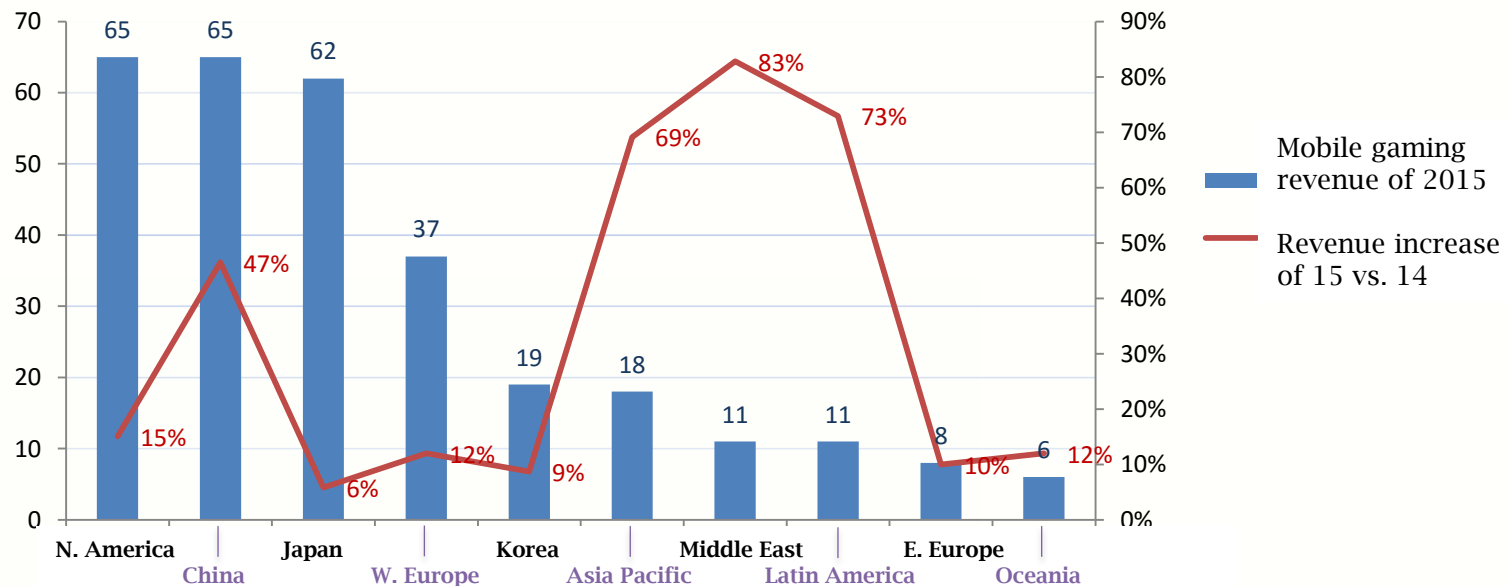


- Global mobile game revenue (smartphone & tablet) was about USD30 billion, with 23% y-o-y increase. Global mobile game players was over 1.6 billion.
- Mobile game revenue accounted for 33% of Global gaming market in 2015, surpassing the revenue of Console and TV game market (27%);
- Global mobile gaming market will achieve USD44.2 billion market cap and will become the biggest market segment instead of browser game in 2018.

* Data from Newzoo report

- The mobile gaming market of North America, West Europe, Japan and Korea accounted for a significant share globally, but with a relatively slow growth rate;
- In terms of the revenue increase rate of 15 vs. 14, the top growth region was: Middle East, Asia Pacific (excluding Japan and Korea), Latin America and China.

(USD 100million)



* Data from Newzoo report

R&D Strategy



- ✓ Besides continuing to recruit talent globally, all game development teams will identify their core competencies, sharpen their skill sets in these areas, and focus exclusively on producing games in the genres for which they have a competitive advantage.
- ✓ In year 2016, the Group will complete the development of about 15 to 20 new games, including SLG, simulation, sandbox game etc.

Market Expansion

- ✓ The market growth of Russia and other East-European countries was significant, but RPU was still low comparing with North America due to the low penetration rate of smartphone and credit card payment. In view of the outstanding revenue performance of Castle Clash in Russia and to further strengthen our position in Russia and Eastern Europe, IGG intends to set up an office in the region in 2016, recruiting local talent to develop content for the local audience, and increasing co-operation with local partners.
- ✓ The growth potential of Middle-Eastern area is fairly considerable; meanwhile, game developers are facing various challenges in language, religion, government censoring, etc. The group specially established an Arabic language unit in order to develop customized products for local players.



Thank you!

IR Contact

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