

2016 INTERIM REPORT

IGG INC August 2016



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- The background of the slide is a detailed illustration of a medieval fantasy world. In the center, a large, ornate stone castle with a prominent circular tower stands on a hill. The sky is filled with several birds in flight. In the foreground, a group of knights in full plate armor, some on horseback and some on foot, are gathered. They are holding long spears and red banners. The scene is set in a lush, green landscape with trees and a path leading towards the castle.
- **Company Overview**
 - **2016 Interim Financial Results**
 - **Business Review and Prospects**

IGG Group, a leading global mobile gaming developer and operator

16H1

- Revenue from mobile games accounted for 97%; The user community of the Group consisted of over 340m user accounts from more than 200 countries and regions, including a total MAU of about 18.6m;
- To date, the Group has regional offices in 10 countries and regions;
- New game Lords Mobile proved to be the Group's another growth engine.

2015

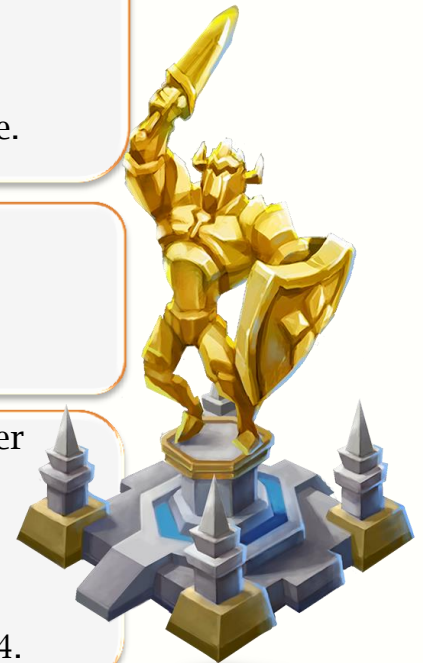
- Castle Clash revenue hit record high;
- Listed on the Main Board of HKEx on 7 July 2015, stock code: 799.HK
- 2015 annual revenue surpassed US\$200 million;

10-14

- Completed two successful transitions from client-based game to browser game and from browser game to mobile game.
- Hit Title Castle Clash was launched in July 2013;
- IGG went public on 18 Oct., 2013. Stock code: 8002.HK
- Acquired American game developer "Nerd Kingdom" at the end of 2014.

06-09

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



Renowned British media Pocketgamer.biz released “Top 50 Mobile Game Developers list of 2016” in March, among which IGG ranked 17 and was one of the four Chinese companies in top 20.



Gross billings ranking of new blockbuster Lords Mobile on August 20, 2016



Top ten in 18 countries

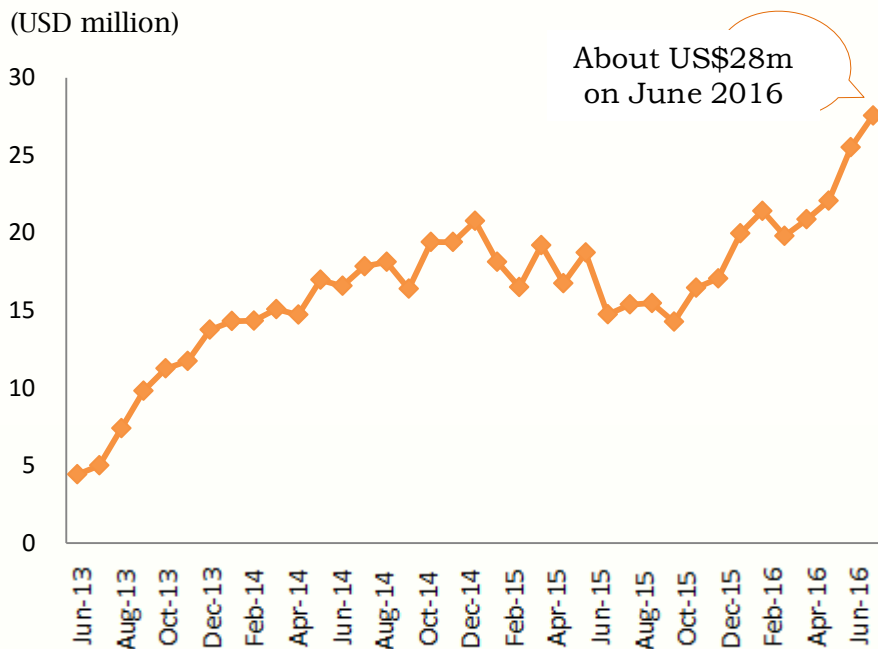
Top five in 5 countries

Top twenty in 44 countries

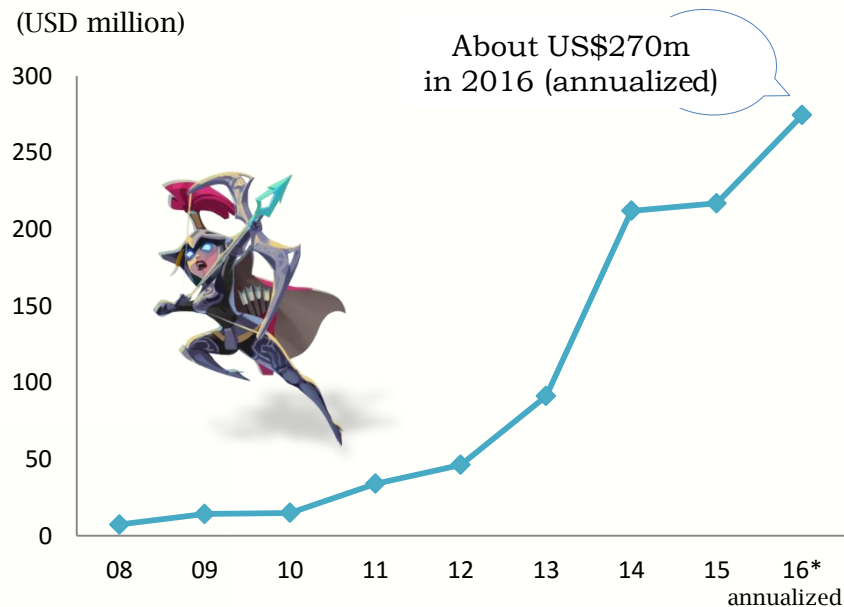


Trend of Gross Billings

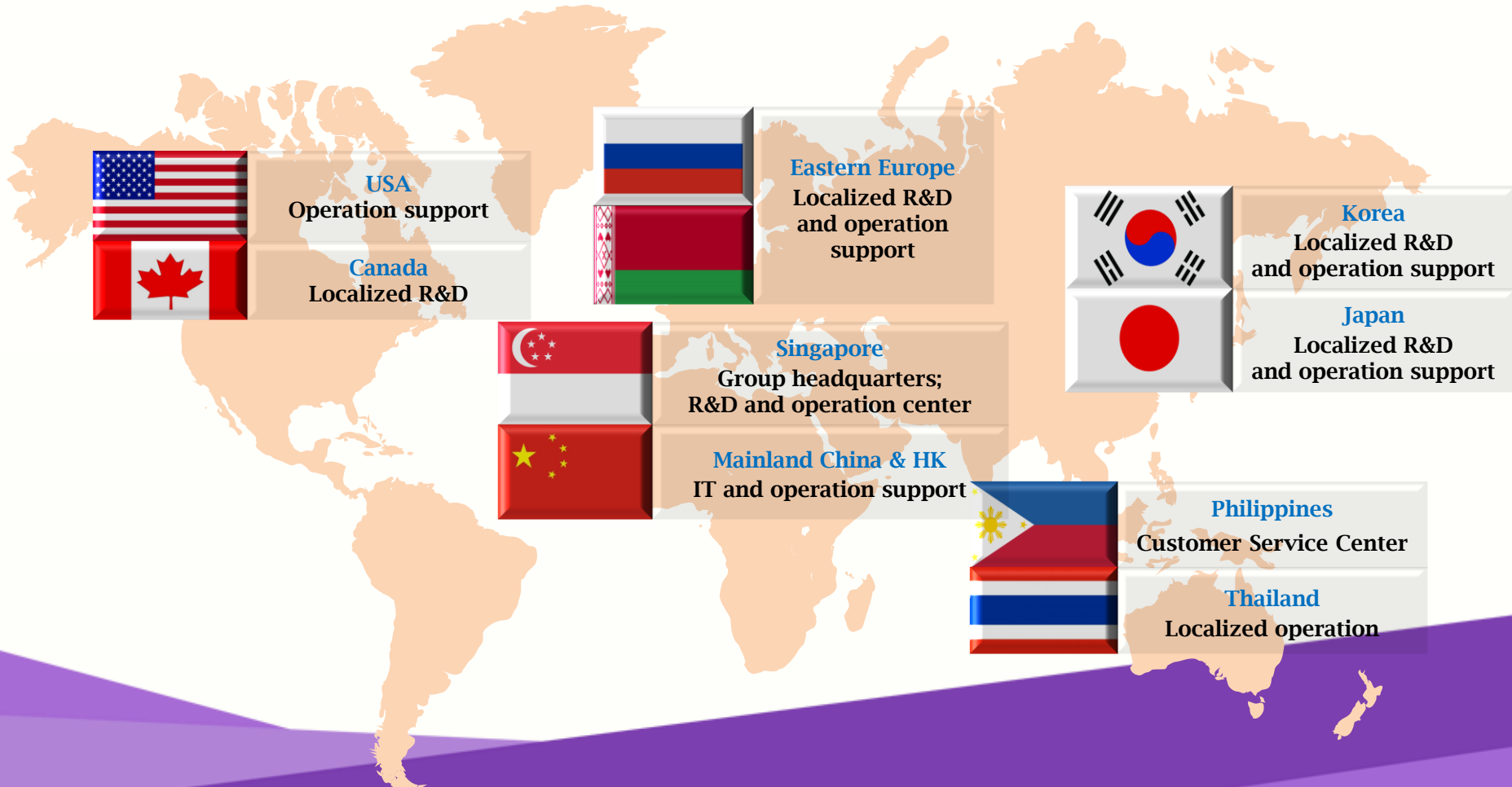
Trend of the Group's monthly gross billings
June 2013~June 2016



Trend of the Group's annual gross billings
2008~2016 (annualized)



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



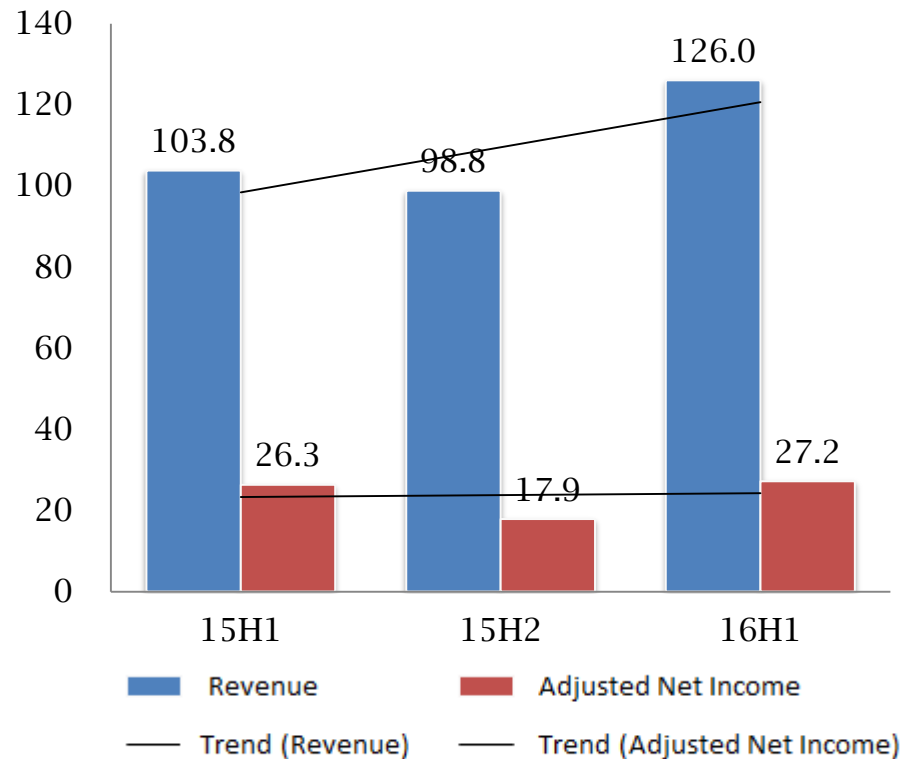
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2016H1 Financial Highlights

		<i>15H1</i>	<i>16H1</i>	<i>Change</i>	<i>15H2</i>	<i>16H1</i>	<i>Change</i>
Revenue	USD million	103.8	126.0	+21.4%	98.8	126.0	+27.5%
Gross profit	USD million	72.0	88.6	+23.1%	68.5	88.6	+29.3%
Gross profit margin	%	69%	70%	+1ppt	69%	70%	+1ppt
Adjusted net income*	USD million	26.3	27.2	3.4%	17.9	27.2	+52.0%
Adjusted net income margin*	%	25%	22%	-3ppt	18%	22%	+4ppt
Profit attributed to owners of the parent	USD million	24.8	26.1	5.2%	16.7	26.1	+56.3%
Profit Margin for the period	%	24%	21%	-3ppt	17%	21%	+4ppt
Weighted average number of ordinary shares	Shares 100 million	13.78	13.66	-	13.87	13.66	-
Basic earnings per share for the year	USD cents	1.80	1.91	-	1.20	1.91	-

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

(USD million)



- The revenue growth of 16H1 was primarily due to the outstanding performance of the new title Lords Mobile;
- The lower growth rate of adjusted net income comparing to revenue is primarily due to increased advertising and promotional activities for Lords Mobile.

2016H1 Revenue Breakdown by Game Title

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%

16H1

Game title	% of total revenue
Castle Clash	56%
Clash of Lords(I&II)	16%
Lords Mobile	14%
Deck Heroes	6%
Texas Poker Deluxe	2%

- Average monthly gross billings of Castle Clash maintained at USD12 million level in 16H1;
- Gross billings of new title Lords Mobile surpassed USD10 million in July ;
- Clash of Lords series and Deck Heroes maintained USD3 million and USD1.2 million average monthly gross billings respectively in 16H1.

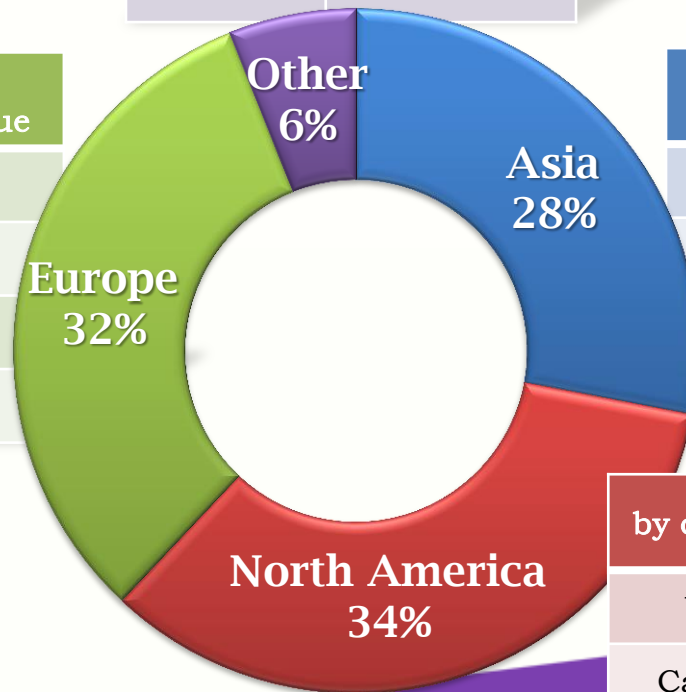


2016H1 Revenue Breakdown by Region

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.

by country	% of total revenue
Australia	2%

by country	% of total revenue
Germany	10%
Russia	6%
France	6%
Great Britain	5%



by country/region	% of total revenue
China	3%
Taiwan	3%
Korea	1%

by country	% of total revenue
U.S.	30%
Canada	3%

2016H1 Expenses Breakdown

	15FY	16H1
Gross profit margin	69%	70%
Selling & distribution exp./ Revenue	21%	27%
Administrative exp./ Revenue	11%	9%
R&D costs/Revenue	13%	13%
Adjusted net income margin *	22%	22%

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

- ✓ SD&A exp./revenue ratio increased by 6 percentage points from 15FY level, primarily due to increased advertising and promotional activities for Lords
- ✓ R&D cost increased by 25.6% comparing with 15H1, mainly due to the wages and benefits increase from staff expansion, and the increase of outsourcing expenses;
- ✓ R&D cost/revenue ratio maintained stable from 15FY level, and it is expected to edge lower in 16H2 along with the launching of several more new games.
- ✓ The Group's Adm. exp. increased by 7.7% from 15H1, primarily due to the increase in wages and benefits from business expansion, and the increase in depreciation expense attributable to the renovation of Fuzhou office building;
- ✓ Adm. exp./revenue ratio decreased by 2 percentage points comparing with 15FY, due to the synergy coming from the considerable revenue growth.

(USD million)

	Cash & cash equivalents	159
+	Time deposit over three months	0
-	Short-term borrowings	0

= **Net cash**
USD159 m

(USD million)

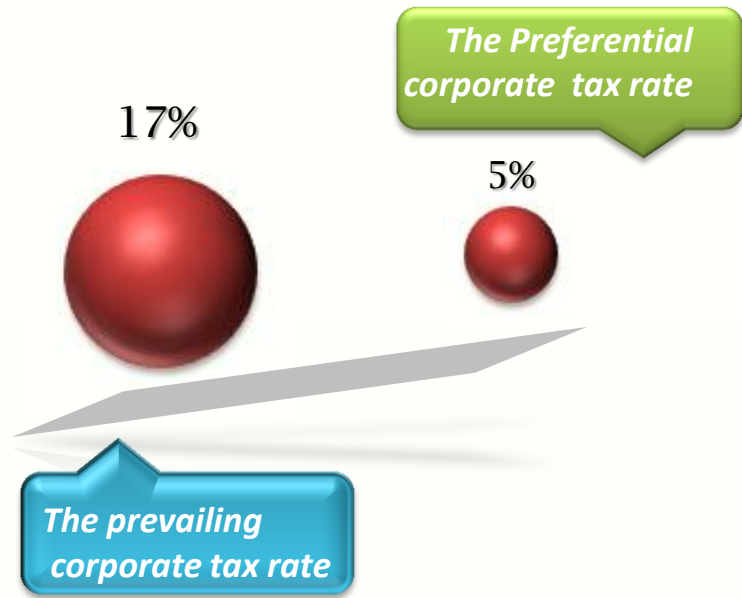
	PP&E such as servers and computer equipment	1.39
+	Intangible assets such as software and trademark	0.04

= **Capex**
USD1.43 m



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

IGG Singapore



- About 99% of our total revenue was recognized through IGG Singapore in 16H1;
- From 2010-2016, IGG Singapore is entitled to a preferential tax rate of 5%, subject to meeting certain conditions.



Dividend Type	Declaration Date	Total amount (USD million)	Share numbers* (100 million)	Dividend per share (HK cents)
2016 Interim dividend	26 Aug. 2016	7.5	13.66	4.3

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

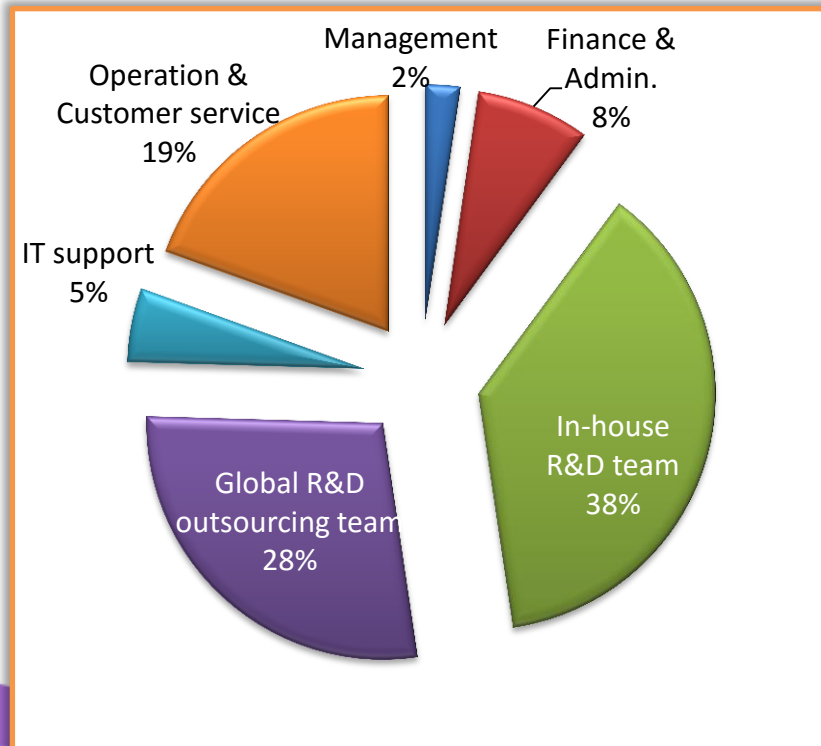
- The total amount of 2016 interim dividend accounted for about 30% of 16H1 net profit;
- The future dividend payout ratio will be formulated in consideration of the Group's profitability, funding need for M&A and the industry benchmark.

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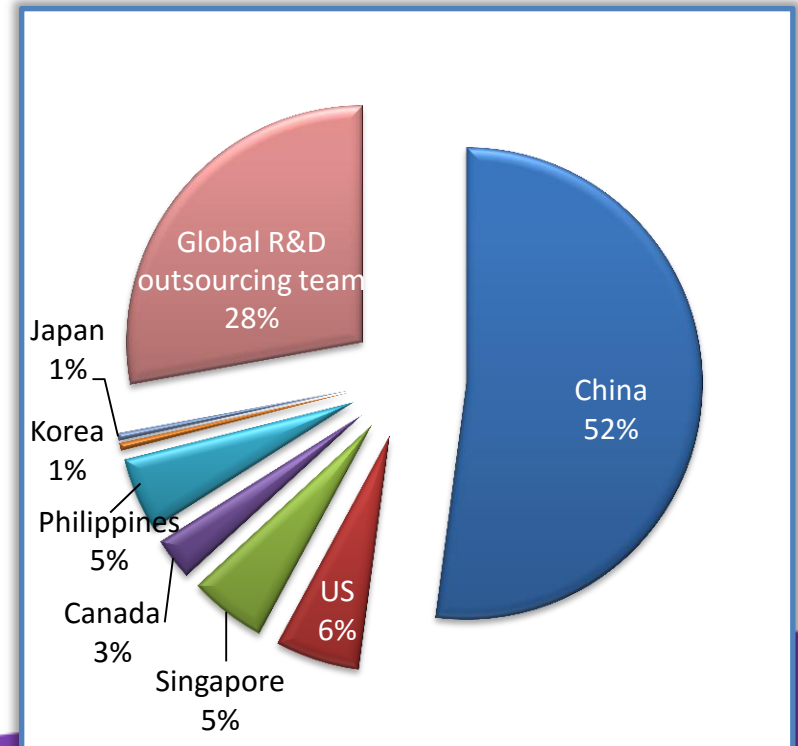
يمكنك في تجديد المزيد من المبالغ في النطل بحب النطل

- Including about 350 staffs from our global R&D outsourcing team, and 44 staffs from Nerd Kingdom, the Group had about 1,260 employees in total as at 30 June 2016;
- The Group recruited 9 employees (not included in the below table) for the newly established R&D center in Belarus in July this year.

by function



by location





Castle Clash
(城堡爭霸)

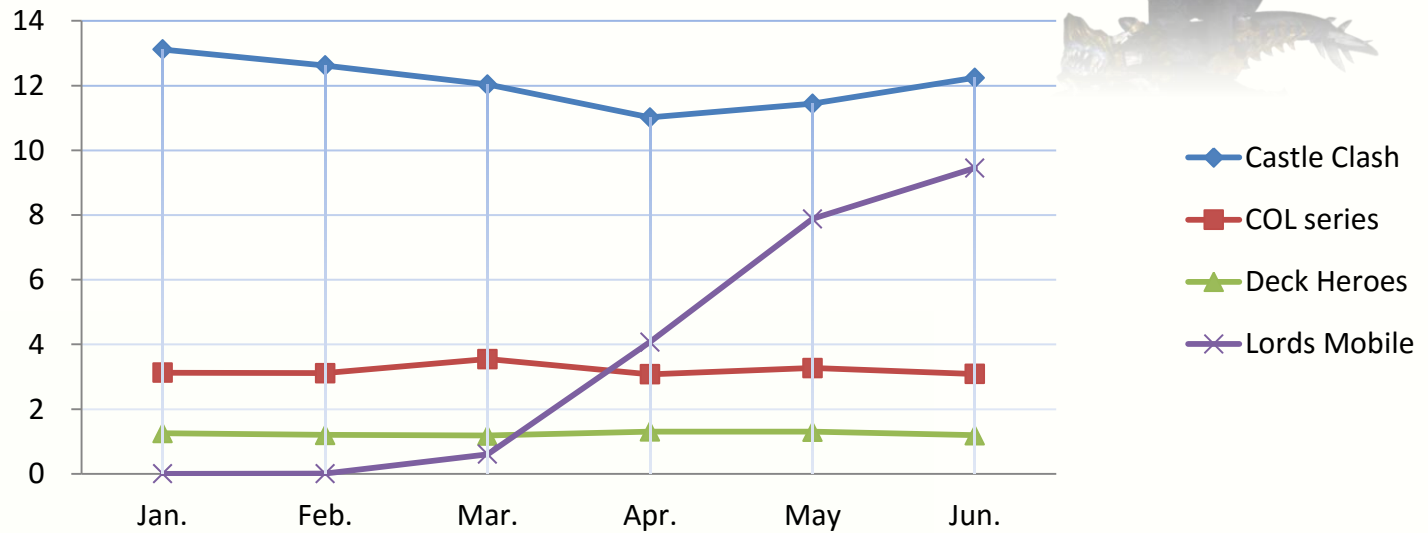
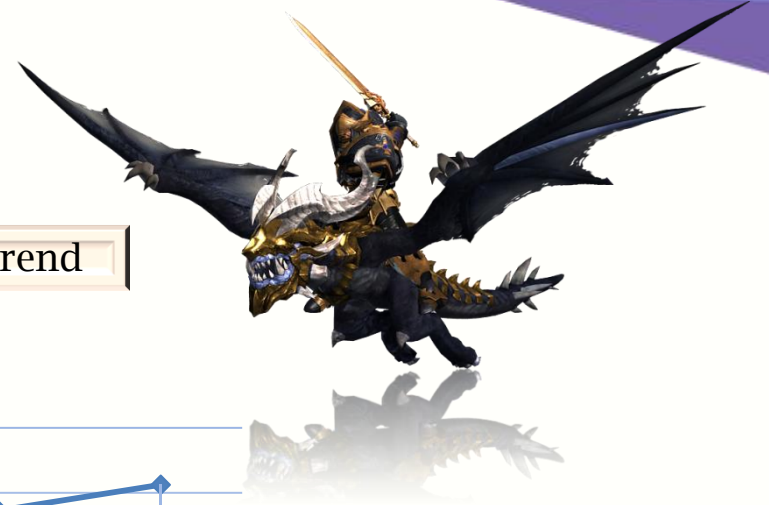
Clash of Lords II
(領主之戰II)

Deck Heroes
(卡卡英雄)

Lords Mobile
(王國紀元)

	Castle Clash (城堡爭霸)	Clash of Lords II (領主之戰II)	Deck Heroes (卡卡英雄)	Lords Mobile (王國紀元)
Launched in	July 2013	Dec. 2013	July 2014	March 2016
Numbers of language versions (as at the end of June 2016)	15	12	10	16
Registered users (as at the end of June 2016)	155 million	50.4 million	11.5 million	10.0 million
Monthly active users (June 2016)	10.6 million	2.5 million	0.5 million	2.5 million

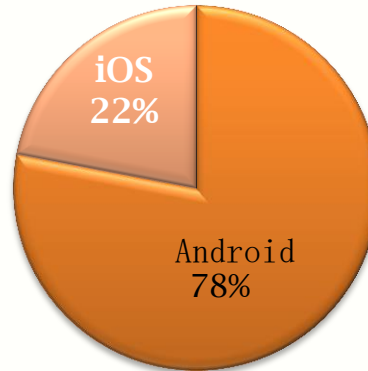
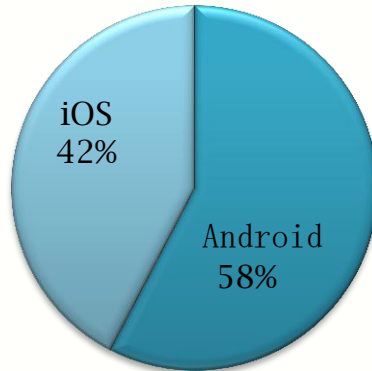
16H1 Monthly gross billings trend



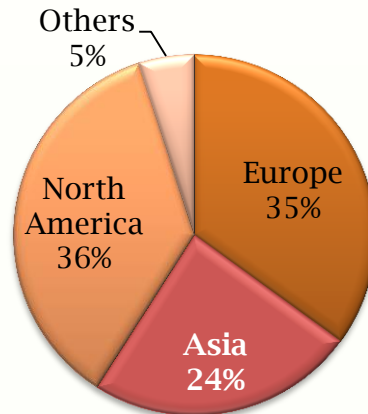
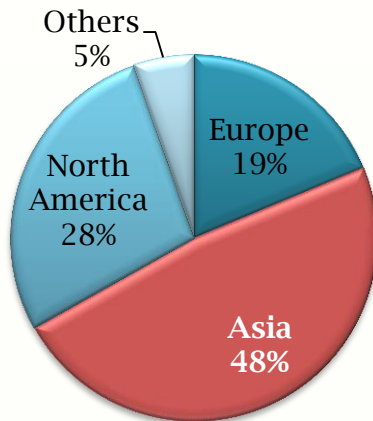
16H1 gross billings of Lords Mobile

16H1 gross billings of other games

by platform

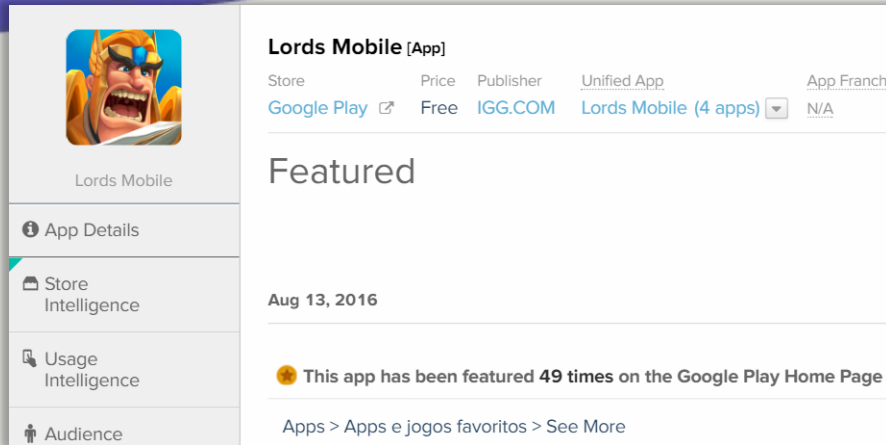


by region



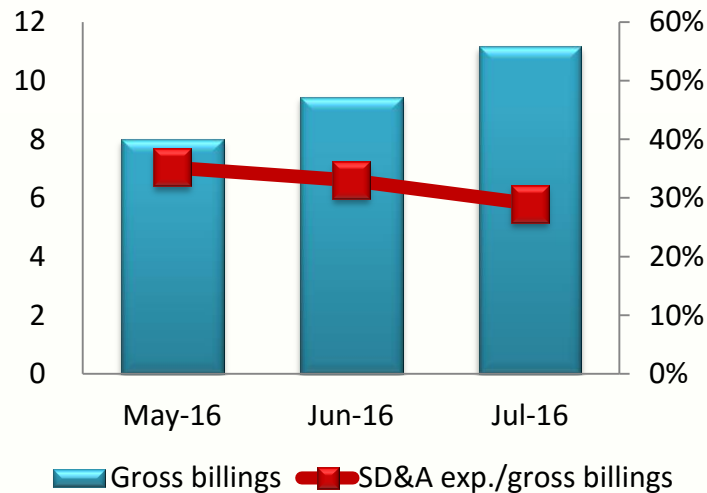
Lords Mobile achieved three significant breakthroughs for the Group:

- Firstly, it is the Group's first cross-platform, multi-language, global mega-server game;
- secondly, 42% of the game's revenue was from iOS, while this number was 22% for Group's other games;
- and thirdly, 48% of the game's revenue came from the fast-growing Asia region, in comparison, Asia made up 24% for the Group's other games in 16H1.



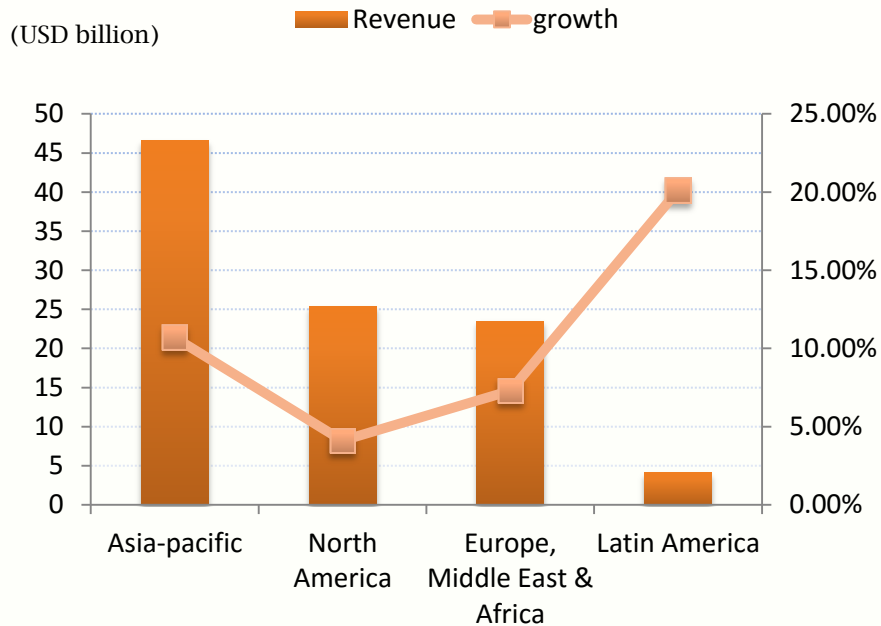
- It ranks high in Eastern European countries, such as Russia and Belarus, and in Southeastern Asian countries like Singapore. It also performed well in Eastern Asia region, including China, Korea and Taiwan;
- It has been featured for dozens of times on Google Play Home Page.

(USD million)

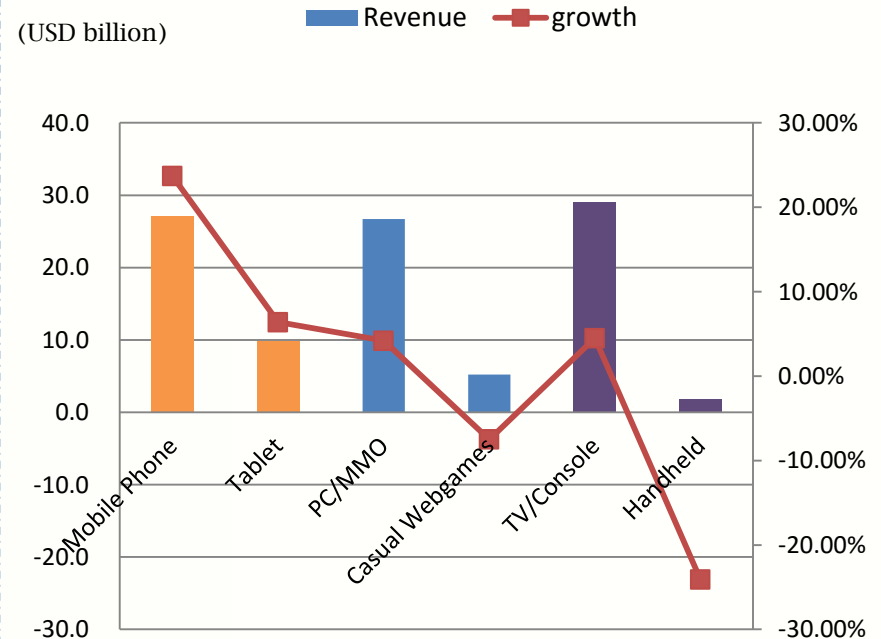


- Due to the mega-server feature of Lords Mobile, different languages were launched in batches instead of one by one, resulting in intensive advertising and promotion activities in 16Q2;
- The SD&A exp. was over gross billings for March and April, while starting from May, the SD&A/gross billing ratio has been edging lower due to the rapid gross billings increase;
- The SD&A/revenue ratio is expected to return to the Group's average range when Lords Mobile's revenue stabilizes at certain level.

- In 2016, games revenue from Asia could reach USD46.6bn , representing 47% of total global games market.



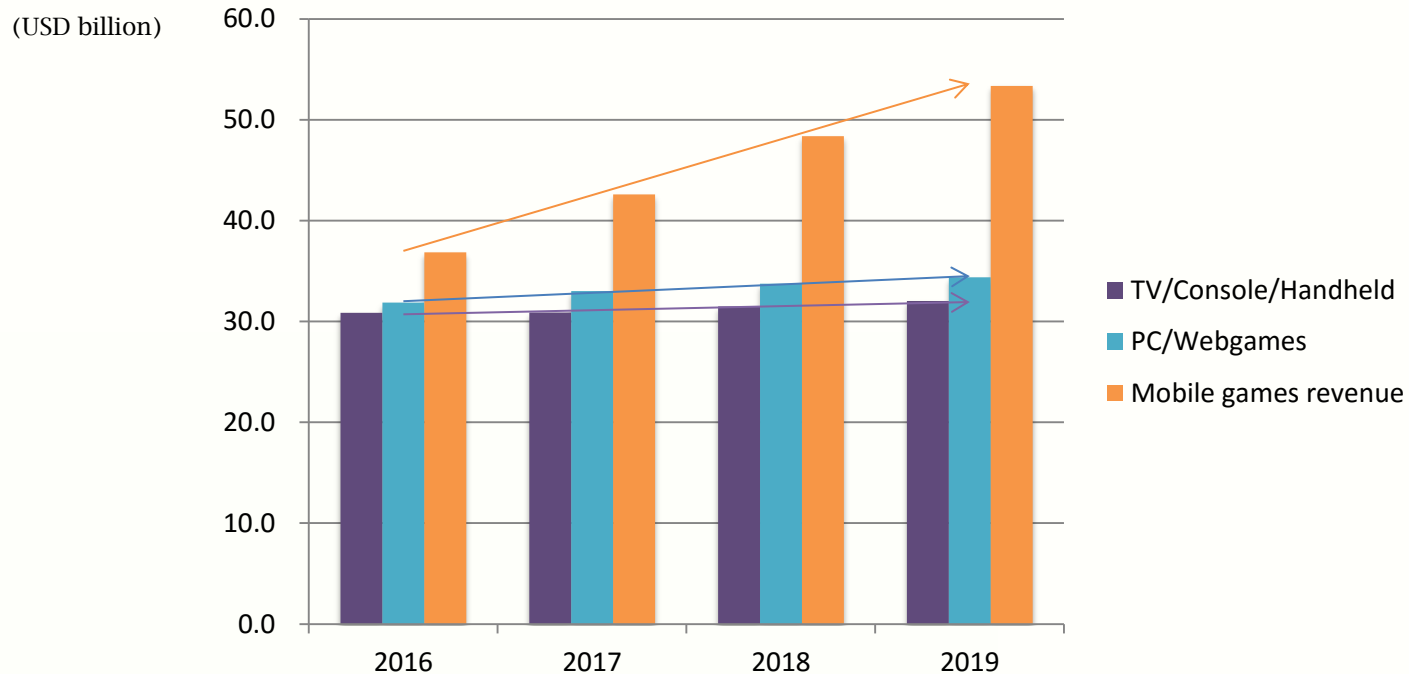
- The global mobile games market (mobile phone and tablet) size could reach USD36.9bn in 2016, representing roughly 37% of global games market.



* Data from Newzoo report

Global Games Market Trend

- The global games market size is expected to grow from USD99.6bn in 2016 to USD118.6bn in 2019;
- From 2016 to 2019, the expected CAGR of Mobile games, PC/Webgames and TV/Console/Handheld are 13.1%, 2.5% and 1.2% respectively.



* Data from Newzoo report

R&D Plan

- ✓ Looking ahead, the Group expects to develop approximately 10 games by the end of 2016, including several strategy games, a tile-matching game and a casino game;
- ✓ Meanwhile, the sandbox game TUG, and games using location based services and augmented reality are under development, and will likely be unveiled next year;
- ✓ The Group is also planning a sequel to Castle Clash and Clash of Lords, building on the success and popularity of the game to provide stable revenue growth.



New Regulations in China

- ✓ The State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (PRC) recently announced new regulations requiring mobile games in the PRC to be submitted for content approval and to obtain a permit prior to their public release;
- ✓ For games that are targeted at a global audience, we foresee these restrictions will have some impact on their potential in the Chinese market, the guidelines on the capitalization of mobile games publishing companies in the PRC is expected to raise the entry barrier to the industry in China;
- ✓ For 16H1, the Group's revenue from China makes up 3% of total revenue. In the short term, the new regulation is not expected to significantly affect the Group's overall performance. In the long term, it may inhibit the Group's growth potential in China market.



Thanks!

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