

2013 Annual Results

IGG INC March 2014

IGG INC 1918181 501



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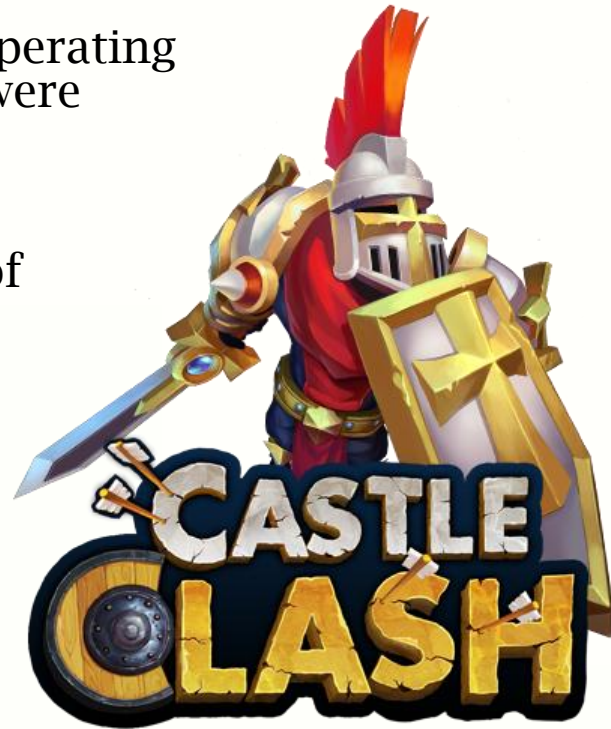
Agenda



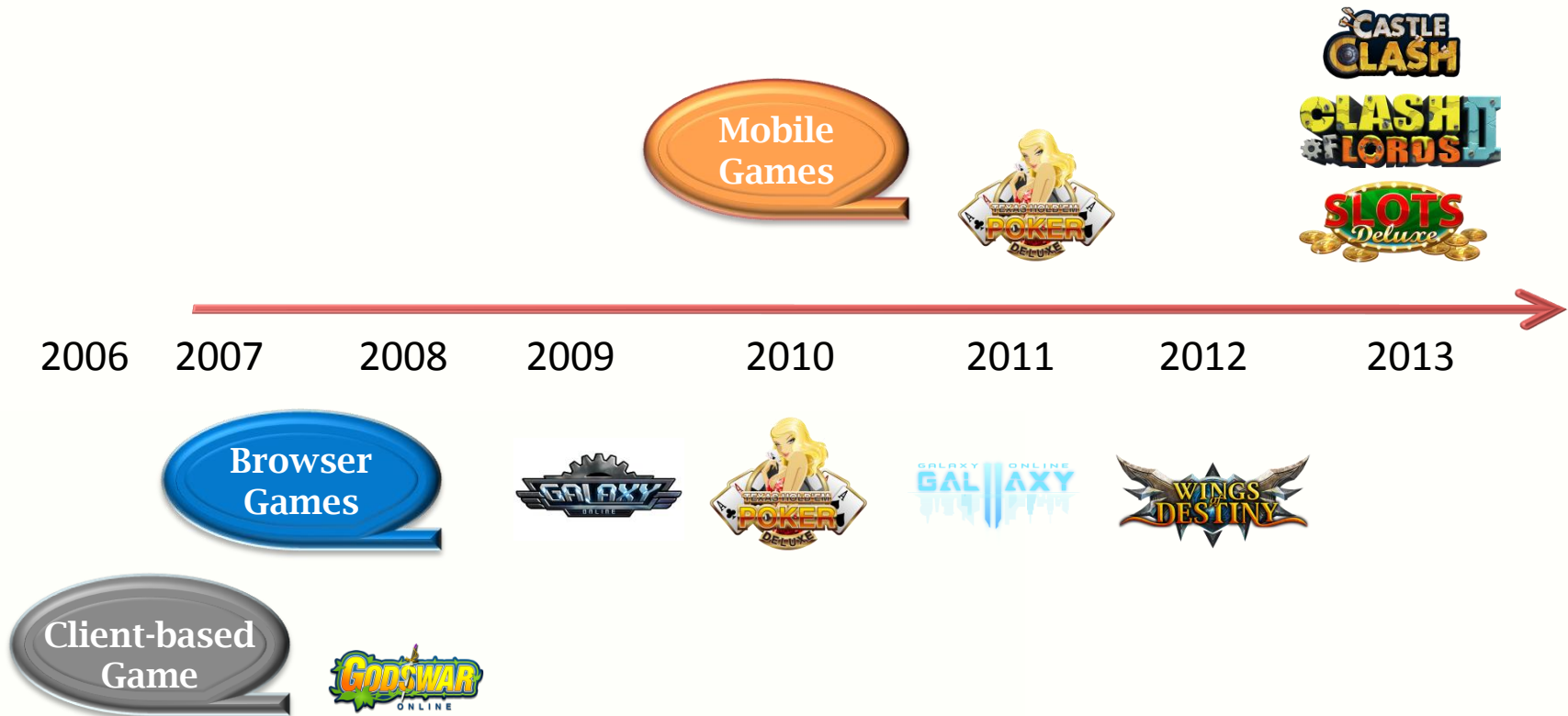
- *Company Overview*
- *2013 Financial Results*
- *Business Review and Prospects*

Company Profile

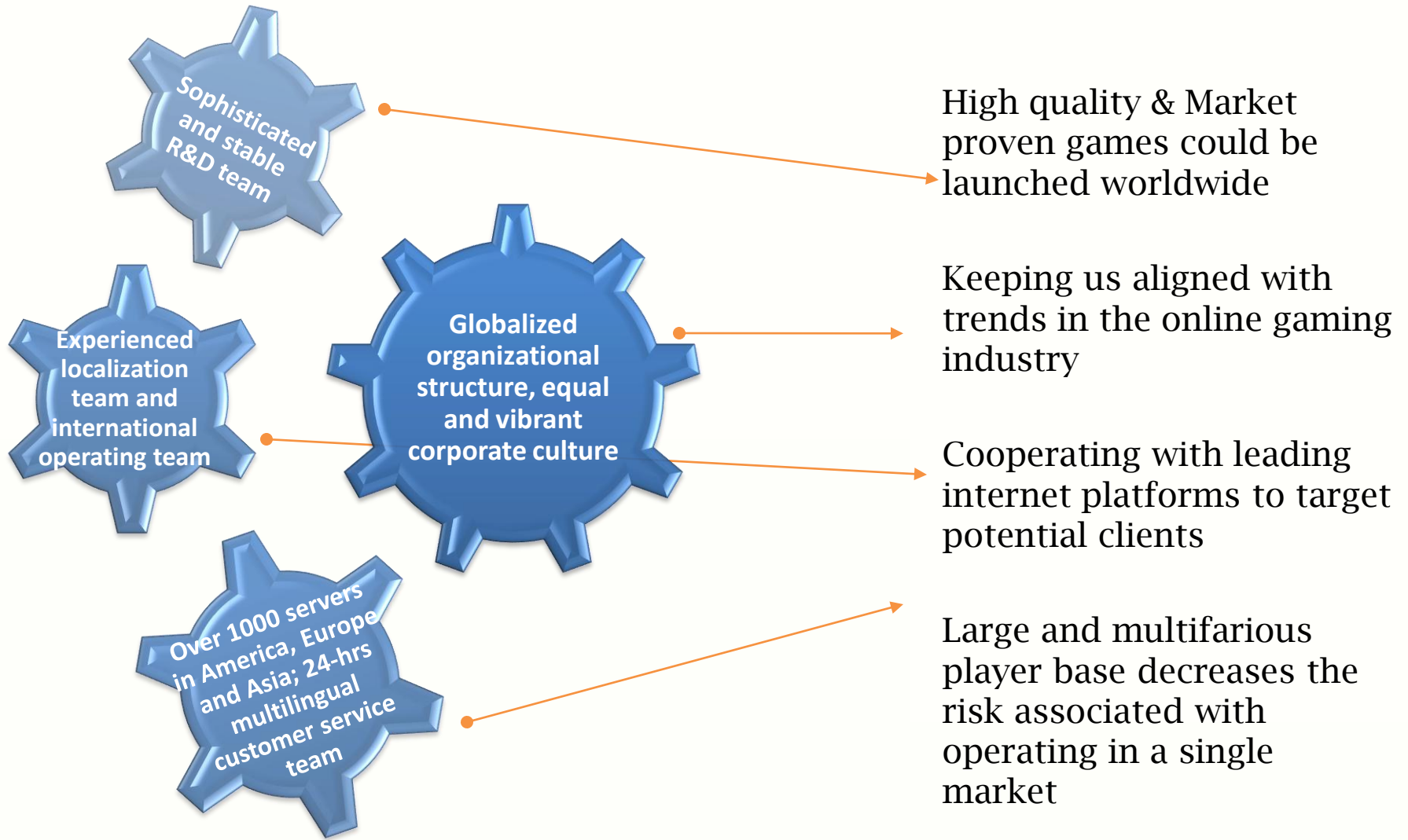
- A fast-growing global mobile games developer and operator, founded in 2006, with headquarters in Singapore and regional offices in the US, China, Canada and Philippines;
- As of year end 2013, IGG has been operating about 30 games, among which 80% were developed in-house;
- As at 31 Dec. 2013, the player community of the Group consisted of over 120 million player accounts, including a total MAU of approximately 13.1 million;
- IGG went public on 18 Oct., 2013. Stock code: 8002.HK. As at 21 March, 2014, stock price was HKD 8.99 and the market cap was HKD12.2 billion.



Launching of Major Self-developed Games



Core Competencies



Agenda



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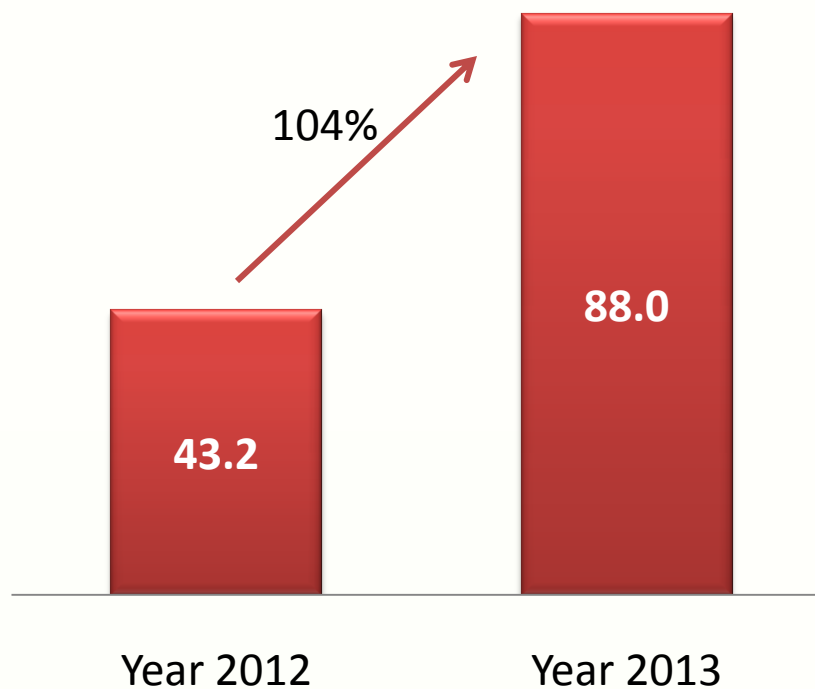
2013 Financial Highlights

		Year 2012	Year 2013	YoY
Revenue	USD million	43.2	88.0	104%
Gross profit	USD million	32.8	65.7	100%
Gross profit margin		76%	75%	-1ppt
Adjusted profit*	USD million	7.2	21.1	193%
Adjusted profit margin	%	17%	24%	+7ppt
Profit/loss attributed to owners of the parents	USD million	-13.4	7.0	-
Weighted average number of ordinary shares	Shares million	535	896	-
Basic earnings/loss per share for the year	USD cents	-2.51	0.78	-

* Adjusted profit represented profit excluding the fair value loss of the redeemable convertible Preferred Shares; 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.

Revenue Growth

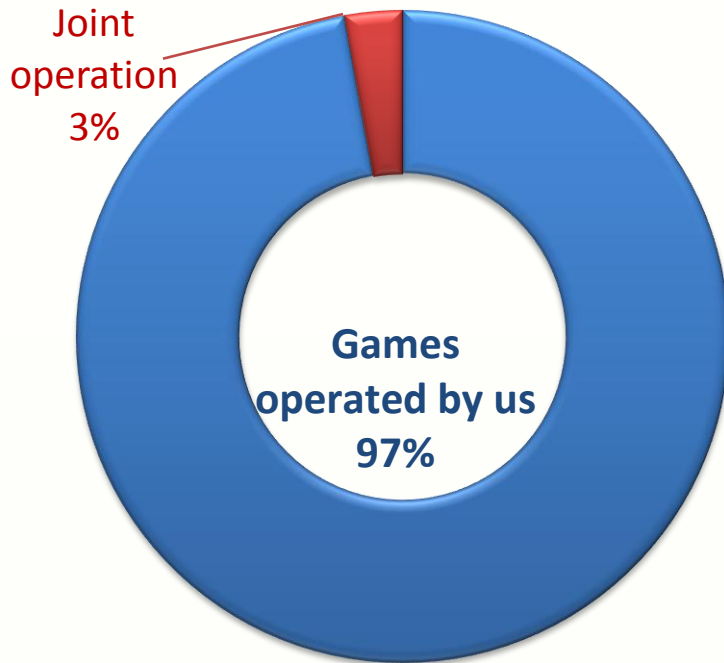
USD million



- The increase in revenue was mainly attributable to the significant increase in the revenue generated from mobile games, mainly due to the hit title “Castle Clash” launched by the Group in July 2013.

2013 Revenue Breakdown by Segment

By segment*



* Revenue generated from the licensing segment, namely the games licensed to and operated by the third-party licensees, accounted for less than 1% of total revenue in 2013 and will not be a focus of the Group in the coming years.

Games operated by us:

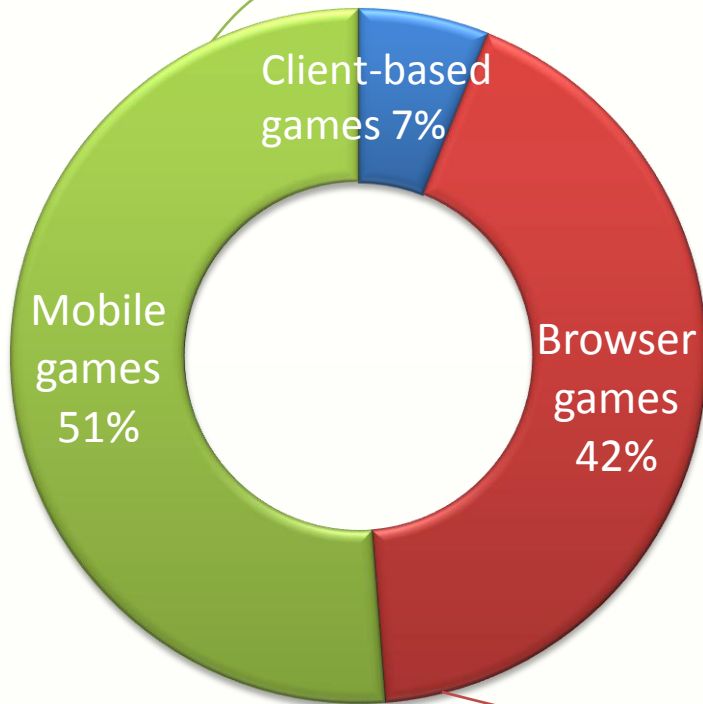
- refers to the games, both in-house developed and licensed from third parties, solely operated by the Group;
- the revenue recognized from this segment is approximately equal to the game players' payment.

Joint operation:

- refers to the games we jointly operated with third-party operators;
- we are responsible of providing technical support, game update etc. and has been given access to the joint operators' platform to monitor sales activities;
- the revenue is recognized on a net basis, namely the portion we are entitled of according to the revenue-sharing agreement.

2013 Revenue Breakdown by Game

By game type*



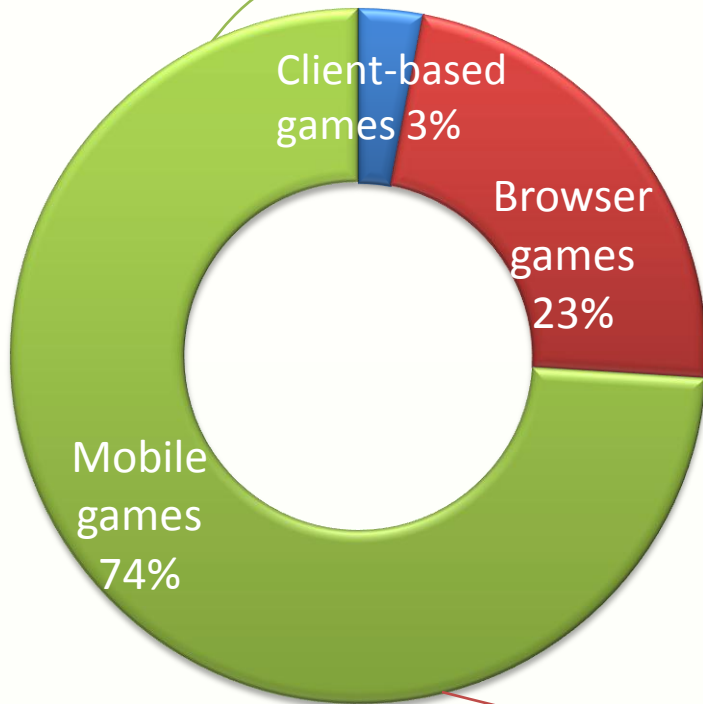
* Only refers to the revenue generated from the games operated by us.

Mobile Game title	Revenue % of self-operated games
Castle Clash	34%
Texas Poker Deluxe	9%
Slot Machines	4%
Clash of Lords	1%

Browser game title	Revenue % of self-operated games
Galaxy Online II	19%
Wings of Destiny	12%
Godswar	5%
Texas Poker Deluxe	4%

2013 Q4 Revenue Breakdown by Game

By game type*



Mobile Game title	Revenue % of self-operated games
Castle Clash	61%
Texas Poker Deluxe	7%
Slot Machines	5%
Clash of Lords	1%

Browser game title	Revenue % of self-operated games
Galaxy Online II	10%
Wings of Destiny	8%
Texas Poker Deluxe	3%
Godswar	2%

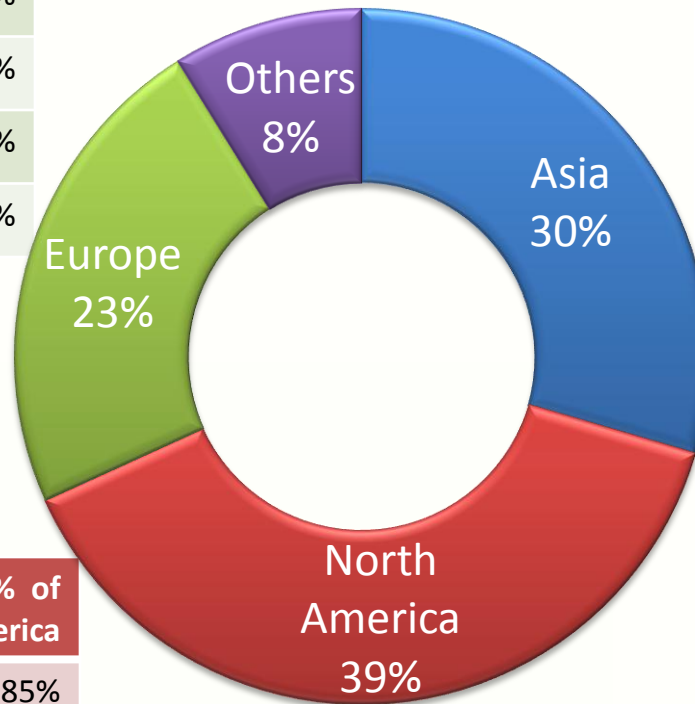
* Only refers to the revenue generated from the games operated by us.

2013 Revenue Breakdown by Region

By continent

Top European Countries	% of Europe
Germany	27%
Great Britain	22%
France	16%
Russia	10%

Top Asian Countries/Region	% of Asia
Taiwan	17%
Japan	10%
Philippines	10%
China	8%



Top North American Countries	% of North America
America	85%
Canada	11%

Expenses Breakdown and Profitability

	Year 2012	Year 2013	YoY
Revenue (USD million)	43.2	88.0	104%
Gross profit margin	76%	75%	-1ppt
Selling & distribution exp./ Revenue	28%	26%	-2ppt
Administrative exp./ Revenue	16%	12%	-4ppt
R&D costs/Revenue	15%	11%	-4ppt
Adjusted profit margin	17%	24%	+7ppt

- The decline of gross profit margin was mainly due to the increase of higher payment costs incurred in relating to mobile games as compared to other non-mobile channels;
- Due to the synergy coming from the considerable revenue growth, the key expense percentages of revenue all witnessed a relative decrease. This trend is expected to be continued in the coming years, especially for the admin. exp. and R&D costs.

Net Cash and Capital Expenditure

USD million

	Cash & cash equivalents	135
-	Short-term borrowings	0

Net cash
USD 135 m

USD million

	Servers and computer equipment	0.94
+	Intangible assets such as software and trademark	0.05

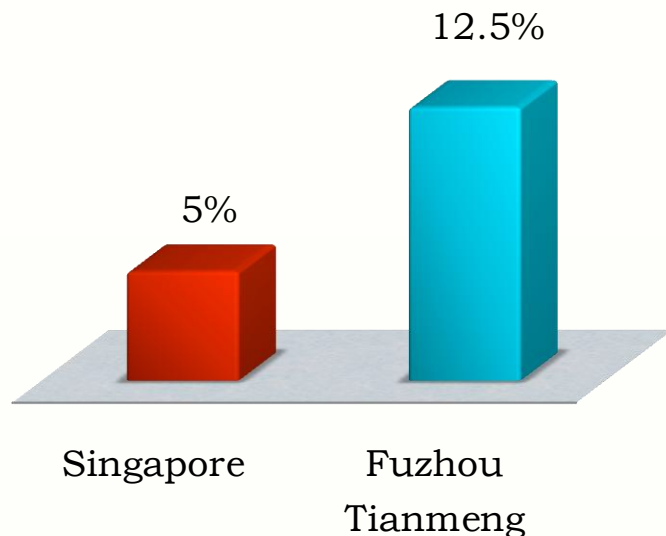
Capex
USD 0.99 m



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

Tax Rate

The Preferential corporate tax rate IGG is entitled to from 2014 to 2016



- Around 95% of our total revenue was recorded in IGG Singapore in 2012 and 2013;

- The prevailing corporate tax rate of Singapore is 17%. From 2010-2016, IGG Singapore is entitled to a preferential tax rate of 5%, subject to meeting certain conditions.

- The prevailing corporate tax rate of Mainland China is 25%. Our PRC subsidiary Fuzhou Tianmeng was certified as Software Enterprise and is exempted from income tax from 2012-2013, followed by a 50% reduction for three years from 2014-2016.

Dividend

Dividend type	Payment Date	Total amount (USD million)	Share numbers (million)	Dividend per share (USD)
Pre-IPO dividend	Oct. 8, 2013	4.92	263	0.19
Proposed 2013 final dividend	To be approved by the May 2014 AGM	2.88	1,359	0.002*

*USD 0.002 is equivalent to HKD 0.016

- The total amount of proposed 2013 final dividend accounted for 30% of the Group's Q4 net profit, namely USD 9.6 million;
- The future dividend payout ratio will be formulated in consideration of the Group's profitability, funding need of M&A and the industry benchmark.

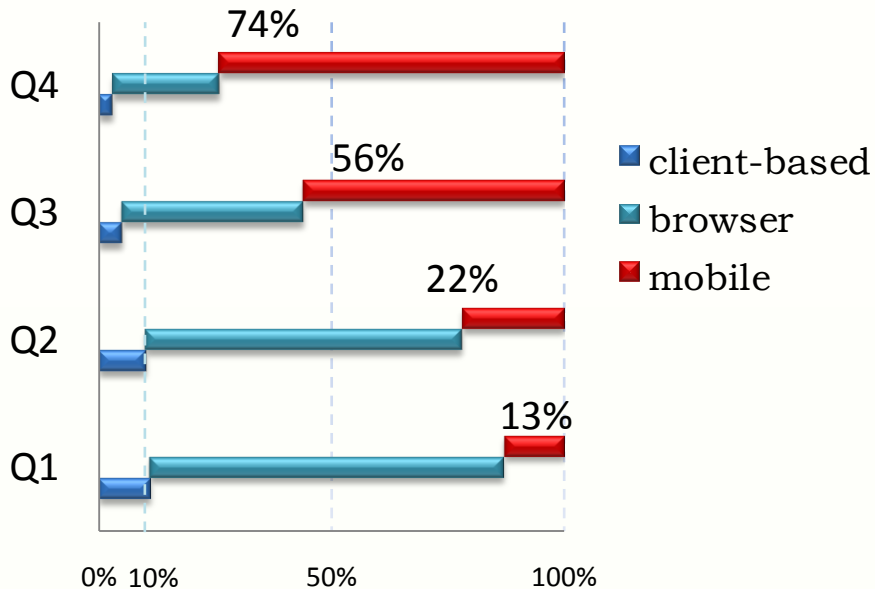
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Mobile Games

Quarterly percentage change of *mobile games revenue/total revenue* in 2013*



- More than 80% R&D force has been shifted to mobile games development in 2013;
- Revenue percentage of mobile games surged to over 50%* in 2013, comparing with merely 5% in 2012;
- This percentage is expected to further increase in 2014 mainly due to: the revenue increase of Castle Clash in Mainland China and the launching of more new mobile games.

*Only refers to the revenue generated from the games operated by us.

Castle Clash (CC)



Grossing rank

As shown in the Google Play top grossing list of APP Annie on 21 March 2014, CC ranked top ten in 24 countries and top five in 13.

Language versions

As at the end of Feb., 2014, CC has been launched worldwide in 13 language versions across Android, iOS and Amazon platforms.

Player accounts

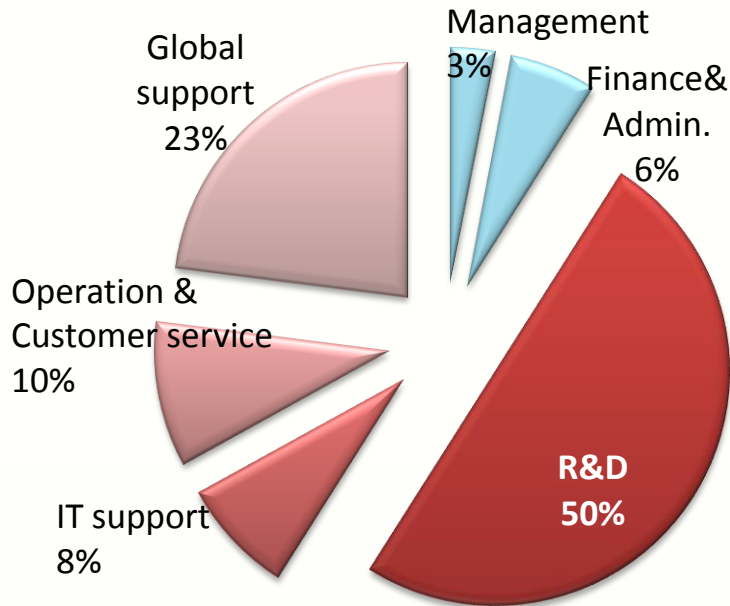
As at the end of 2013, the registered account no. of CC achieved 25 million, including a total MAU of close to 9 million.

Platform cooperation

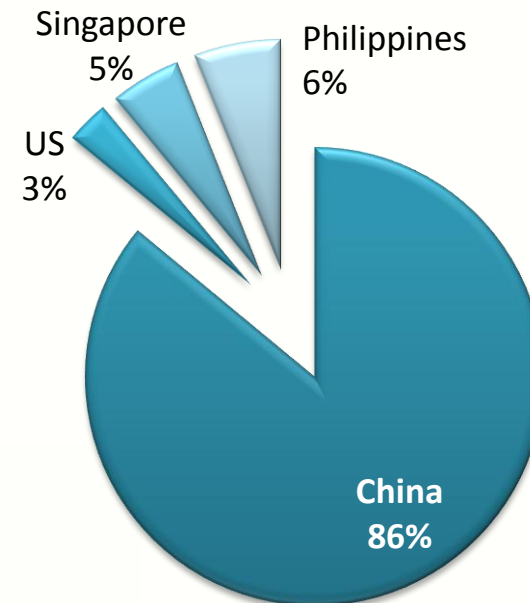
In Jan. 2014, the Group entered into a cooperation agreement with Tencent granting it the exclusively right to publish CC on its mobile social platforms in mainland China.

Human Resources

Breakdown by function



Breakdown by location

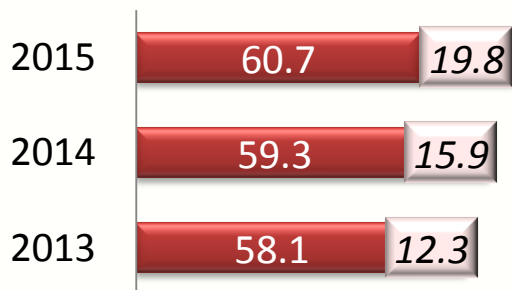


- As at 31 Dec. 2013, the Group had 651 employees including executive directors, representing 12% YoY growth;
- In Jan. and Mar. 2014, the Group established two subsidiaries in Canada, one is a wholly-owned subsidiary focusing on R&D and the other is a JV engages in the advertising, marketing and distribution services of mobile applications. As of Mar. 21, the two subsidiaries had 10 employees in total;
- Looking forward, we will keep the headcount expansion in a reasonable range, focusing on improving staff efficiency and therefore bringing down the staff cost/revenue percentage.

The Market

Revenue of global gaming market¹
USD billion

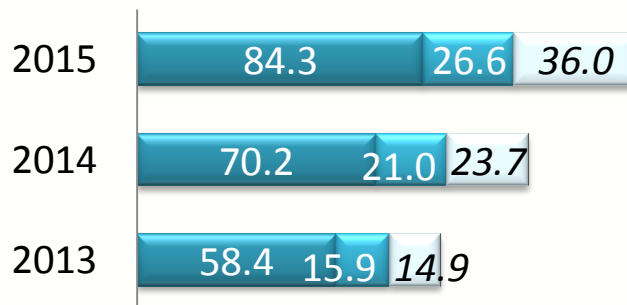
■ pc & others ■ tablet & smartphone



- With 31% growth rate, the number of global smartphone users achieved 1.5 billion in 2013;
- The revenue from global mobile (tablet & smartphone) gaming market amounted to USD 12.3 billion in 2013.

Revenue of China's online gaming market²
RMB billion

■ client-based ■ browser ■ mobile



- Smartphone holdings in the China market amounted to roughly 580 million in 2013;
- Over 80% of the Chinese internet users access the web via mobile devices;
- The revenue from mobile gaming industry amounted to RMB 14.9 billion and accounted for 16.7% of China's online gaming market.

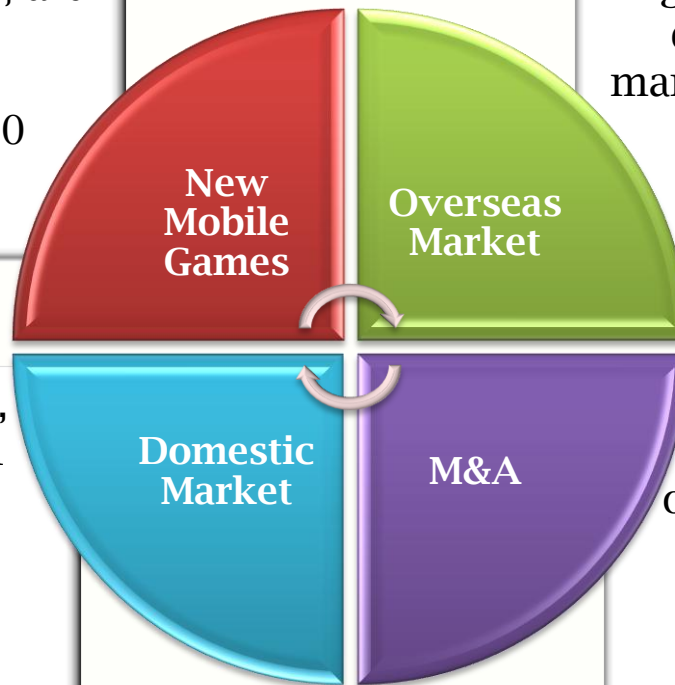
1. Newzoo: Global Games Trend Report 2012-2016;

2. iResearch: '2013年中国互联网经济核心数据发布', '2013-2017年中国网络游戏市场数据及预测'.

2014 Prospects

We will go on to sharpen our abilities in game design, art style, localization, etc. About 15-20 in-house developed games and 20 licensed games will be launched in 2014.

First-class and diversified games will continue to be delivered to the overseas market and operated by our sophisticated operating team via various media platforms.



In the domestic market, we will mainly focus on content providing and will keep effective collaboration with dominant social mobile platforms.

We will actively looking for potential partnership opportunities on platform cooperation in domestic and overseas markets, while allocating resources on in-house platform building.

The background features a vibrant, cartoonish illustration of various characters and units from the game Castle Clash. At the top center, the game's logo "CASTLE CLASH" is displayed in a stylized, blue-outlined font. Below the logo, the scene is filled with diverse characters: a large, grey, horned creature on the left; a green-skinned archer on the right; a central figure in white armor; and a small, brown, mechanical-looking character at the bottom. The overall aesthetic is bright and colorful, typical of mobile game promotional art.

CASTLE CLASH

Thank you!

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