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IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 799)

PROFIT WARNING

This announcement is made by IGG Inc (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts for the year ended 31 December 2022 (the “**Year of 2022**”) and the information currently available to the Company and its subsidiaries (collectively the “**Group**”), it is expected that the Group will record a net loss of approximately HK\$490 million to HK\$510 million for the Year of 2022, of which the net loss for core game business¹ is approximately HK\$170 million to HK\$180 million, and the gain or loss on investments² is expected to record a net loss of approximately HK\$320 million to HK\$330 million. The net profit of the Group for the year ended 31 December 2021 (the “**Year of 2021**”) was HK\$370 million, of which the net profit for core game business¹ was HK\$420 million, and the gain or loss on investments² was a net loss of HK\$50 million.

The loss in the Group’s results for the Year of 2022 is primarily attributable to the following factors:

- 1) as the risk of global economic recession continues and users’ consuming capacity declines due to various adverse factors such as the Russia-Ukraine War, the COVID-19 epidemic, inflation and the Federal Reserve’s interest rate hike, the revenue of Group for the Year of 2022 decreased by approximately 23% to 25% as compared to the Year of 2021; and

1. Net profit/loss for core game business: net profit/loss of the Group excluding gain or loss on investments.
2. Gain or loss on investments: including (1) fair value change and gain/loss on disposal of other financial assets, and dividend income; and (2) share of results of associates and joint ventures, impairment loss on interest in associates and joint ventures and gain/loss on disposal and deemed disposal of associates and joint ventures.

- 2) as the growth of the Internet game industry in China slowed down in 2022, the market performance of the game products launched in 2022 by certain investees of the Group in China did not meet expectations, and new games of certain investees were unable to be launched due to the tightening of game license approval issuance, which resulted in a decline in cash flow and operating results of certain investees. As a result, the Group recognised impairment provisions or fair value losses of the above-mentioned investees, and the gain or loss on investments is expected to record a net loss of approximately HK\$320 million to HK\$330 million for the Year of 2022 (Year of 2021: HK\$50 million). The funds invested in these internet game companies were sourced by the investment gains generated from the Group's investments in previous years. The main objectives of the Group's investments are to strengthen its overall research and development capability and enrich its product portfolio. Through strategic agreements with companies in the game industry, including licensed publishing and outsourced game development, the Group strives to diversify its game portfolio.

The Board is of the view that the economic condition for 2023 remains uncertain, and the Group maintains a strong sense of crisis and continues to optimise its resources, control its costs and reduce its expenditure. With the integration and optimisation of its resources in 2022, the Group's research and development team has been fully upgraded and its research and development capability has been revitalised, which solidified the Group's long-term development. The management is confident that the Group will turn into profits in core game business in 2023.

The Board wishes to emphasise that the information contained in this announcement is only a preliminary assessment made by the Board based on the unaudited consolidated management accounts for the Year of 2022 and the information currently available to the Group. Such information has not been audited or reviewed by the auditors and the audit committee of the Company. The above information may be subject to possible adjustments, if any. The financial results of the Group for the Year of 2022 is expected to be published by the end of March 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
IGG INC
Zongjian Cai
Chairman

Hong Kong, 6 March 2023

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen; one non-executive director, namely, Mr. Yuan Chi; and three independent non-executive directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.