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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 (the “**Board**”) of directors (the “**Directors**”) of the Company 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 six months ended 30 June 2023 (“**1H2023**” or the “**Period**”) 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\$400 million for 1H2023, of which the net loss for core game business¹ is approximately HK\$400 million, and the gain or loss on investments² is expected to break even. The net loss of the Group for the six months ended 30 June 2022 (“**1H2022**”) was approximately HK\$172 million, of which the net loss for core game business¹ was approximately HK\$58 million, and the gain or loss on investments² was a net loss of approximately HK\$114 million.

In 1H2023, the Group began to reap the harvest of its research and development efforts over the past few years and launched two blockbuster strategy games: an apocalyptic-themed game named “Doomsday: Last Survivors” and a Viking-style game named “Viking Rise”. During the Period, the Group continued its long-term operation strategy, focusing on promoting these two new games in the second quarter of 2023 to grow the userbase and build a balanced and sustainable game ecosystem, driving the monthly gross billing of each of these two new games above HK\$70 million. Both new games were recommended by Apple and Google upon release on account of their high-quality game contents, and very quickly rose to the top of the strategy games download charts in more than 60 countries/regions worldwide³. At the same time, the Group’s application 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.

³ Source of ranking data: Third party data analytics platform, data.ai

mobile advertisement mediation platform business (the “**APP Business**”) also reached a new height, with average monthly gross billing increasing from HK\$6 million in 1H2022 to more than HK\$50 million recently.

These two new games and the APP Business have become new driving forces of the Group’s continuous growth, accounting for more than 30% of the Group’s recent revenue, and driving the Group’s recent monthly gross billing to over HK\$500 million. Overall revenue of the Group was up by more than 15% in 1H2023 compared to the second half of 2022, reaching approximately HK\$2.45 billion. The two new games and APP Business have offset the natural decline in the gross billing of the Group’s older games, re-optimized the Group’s revenue structure and diversified the Group’s product portfolio, and will drive the steady development of the Group’s business in the medium and long term.

Due to the intensive promotion of new games in the first half of 2023, the Group sacrificed profit for growth in 1H2023, with selling and distribution expenses increasing by approximately 85% as compared to 1H2022. While in terms of research and development and administrative expenses, the Group continued to implement staff optimization, cost reduction and efficiency improvement measures, resulting in an approximately 30% drop in such related costs compared to 1H2022.

The Board is of the view that with the global gaming industry under pressure and possibly entering a stage of zero-sum competition, adhering to quality and long-term operation is the best strategy for the sustainable development of the Group. As new games and the APP Business continue to gain momentum, the advantages of long-term operation leading to steady profits will eventually emerge, generating sustainable returns on investment for the Group. At the same time, the Group continues to optimize its resources to reduce costs and increase productivity. Through a combination of revenue generation and cost reduction, the Board is confident that the Group will be able to achieve a profit in the second half of 2023.

The Board wishes to emphasize that the information contained in this announcement is only a preliminary assessment made by the Board based on the unaudited consolidated management accounts for 1H2023 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 1H2023 are expected to be published by the end of August 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, 28 June 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.