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## OURGAME INTERNATIONAL HOLDINGS LIMITED

聯眾國際控股有限公司\*

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 6899)

### BUSINESS UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2017 AND PROFIT WARNING

The board of directors (the “**Board**”) of Ourgame International Holdings Limited (the “**Company**” or “**Ourgame**”) is pleased to provide an update on certain financial and operational information of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2017. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

#### FINANCIAL HIGHLIGHTS

	Three months ended 31 March		Changes
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	
<b>Revenue</b>	<b>119,631</b>	194,595	-38.5%
PC games revenue	<b>50,538</b>	107,682	-53.1%
Mobile games revenue	<b>55,813</b>	65,672	-15.0%
Others	<b>13,280</b>	21,241	-37.5%
<b>(Loss)/Profit attributable to equity holders of the Company</b>	<b>(44,724)</b>	21,931	-303.9%
<b>Non-IFRS adjusted net (loss)/profit</b>	<b>(40,311)</b>	33,231	-221.3%
Attributable to equity holders of the Company	<b>(39,043)</b>	32,831	-218.9%
Attributable to non-controlling interests	<b>(1,268)</b>	400	-416.7%

## FINANCIAL HIGHLIGHTS

	Three months ended 31 March		Changes
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	
The People's Republic of China (the "PRC") <sup>(1)</sup>	99,474	163,845	-39.3%
Outside the PRC <sup>(2)</sup>	<u>20,157</u>	<u>30,750</u>	-34.4%
<b>Total revenue</b>	<b><u>119,631</u></b>	<b><u>194,595</u></b>	-38.5%

<sup>(1)</sup> For the purpose of this business update, the revenue from the PRC do not include those from Hong Kong, Macau and Taiwan (if any).

<sup>(2)</sup> The revenue outside the PRC was primarily derived from Peerless Media Limited and its subsidiaries (the "Peerless Group") which were acquired by the Group at the end of June 2015. The Peerless Group is engaged in the business of television production, brand licensing, online service and tour management producing poker and online entertainment content under the World Poker Tour ("WPT") global brand ("WPT Branded Business").

## OPERATIONAL HIGHLIGHTS

	Three months ended 31 March		Changes
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	
<b>Monthly active users ("MAUs") (in thousands):</b>			
Self-developed games	19,654	25,697	-23.5%
<b>Monthly paying users ("MPUs") (in thousands):</b>			
Self-developed games	1,231	1,569	-21.5%
<b>Monthly average revenue per paying user ("ARPPU") (in RMB):</b>			
Self-developed games	28.7	36.1	-20.5%

## Summary

In the first quarter of 2017, while we continued to make progress in our eSports, mind Sports and other businesses (as further discussed below), we encountered unexpected challenges in our China domestic card and board games business. In particular, the first quarter of 2017 witnessed a boom of a category of new apps offered by other companies targeted at card and board game users in the PRC that provide online game room cards (開房卡) function with a viral and agent distribution model. Some of the agents of these apps have also been actively targeting our user base which caused a higher than expected level of user churn. In addition, certain of the Company's mobile carrier partners on which the Company relies for a meaningful level of revenues changed their payment policies during the quarter, which also negatively impacted our mobile businesses. As a result, we witnessed a fairly substantial downturn on revenue and profitability in the quarter.

We have confidence in our business model, strategy and the progress and future of our various business platforms. We have taken active steps to address and mitigate the challenges that arose during the first quarter of 2017. We believe the Room Card (房卡) model's viability is questionable in the long term. With its very low entry barrier and commoditized offerings we have seen a large influx of new entrants with intense pricing competition and even many offering room cards for free. We believe the impact of this business model will not be long term. We believe our online/offline model with superior IP, branding and tournaments creates better user loyalty and engagement over the long term. We have created and accumulated an unmatched portfolio of global IPs, tournament products and expertise that we believe clearly positions us as a leader in China. It is this strength of the Company that we will continue to exploit and expand. In the first quarter we announced WPT tournaments in China outside of Sanya for the first time, with the first WPT Beijing subsequently being held in April 2017 as part of the Ourgame Card and Board Game Carnival Beijing that has multiple events, and WPT Chengdu and the Ourgame Card and Board Game Carnival Chengdu scheduled for July 2017, with our Sanya event to follow in October. The three multi-month events in China now cover the entire calendar year, and are supplemented by numerous highly attractive and competitive online tournaments on a weekly basis. Our expanded online and offline tournaments have already resonated with our users and we believe tournaments will continue to be a key attraction for users to come to and stay on our platform. On mobile we have accelerated work on our core products to utilize WeChat, Alipay and other third party payment systems other than mobile carrier payments. We believe a more diversified payment system will make our mobile business stronger, more stable and with a lower payment cost base. We will also continue to streamline and optimize our cost structure for efficiency.

Other businesses among the Group continued to make progress in this quarter. The China mind-sports business managed by our invested company Zhongqi Weiye (中棋惟業) had another four sportified card and board games approved by the General Sports Administration (國家體育總局) as official sports, bringing now the total to eight. All eight sports titles have completed commercial bidding processes that were open to the industry and are now under development by bid winning companies. Two more games are now in the approval process and the estimated total for 2017 will be over thirty. The first sportified game (競技二打一) has been fully operational and with more than 10 companies awarded as authorized tournament partners has achieved more than 7.35 million total tournament

participants by end of February 2017. With more sportified games being approved and more games becoming operational, Zhongqi Weiye (中棋惟業) is already profitable and we believe is set to enter into a period of significant growth.

Our eSports subsidiary Allied eSports entered into agreement with MGM Group to open its global flagship arena at the MGM Luxor Casino and Hotel of which MGM will be providing substantial marketing and other support. With the introduction of this flagship arena, Allied eSports achieved a critical milestone in completing the creation of our global arena network. With this global arena network, we have now obtained the necessary foundation to accelerate the building of our own unique global tournaments and other critical IPs and assets. The work Allied eSports has completed so far have given it a meaningful first mover advantage in the global eSports industry.

The JV with iRena Inc. (體窗聯眾) was our entry in creating a new category of businesses around sports based games. It has completed the development of its new sports based games and are expected to launch officially with major Internet partners in second half of this year. Furthermore, the Company invested into Spoville Inc. of Korea, which holds the only Korean government sanctioned license to conduct sports betting games using game virtual currency through its portfolio of football, basketball and baseball games in Korea. We believe the expertise and Korean market presence of Spoville will bring significant synergy and be a key part of our global efforts in this business going forward.

WPT's TV programs reached more than 140 million households worldwide as of April 2017. With the launch of PlayWPT on iOS in the first Quarter, PlayWPT's launch is now complete and is available across PC, Android and iOS platforms. The online games business will be a key monetization channel of WPT's global traffic and a main growth driver for its growth. In the first quarter the sponsorship contract with one of WPT's largest sponsors expired, resulting in WPT experiencing a drop in sponsorship revenue. Other than this event, WPT's other businesses remain stable and we believe are poised to grow with their expansion into more geographic locations and greater TV programming coverage.

### **Profit Warning for the six months ending 30 June 2017**

In light of the above, and based on the information currently available to the Board, including the Group's unaudited consolidated management accounts for the three months ended 31 March 2017 and an estimate of the financial results for the three months ending 30 June 2017, it is currently expected that the Group will record a net loss for the six months ending 30 June 2017 as compared to a net profit of approximately RMB76 million for the six months ended 30 June 2016. The expected net loss is primarily the result of the factors outline above. While it was initially unclear whether these factors would continue to impact the Company's financial results during the second quarter of 2017, the Board now believes that the results for the second quarter are unlikely to sufficiently improve to offset the unforeseen weakness in performance in the first quarter of 2017, and that the Company is therefore likely to record a net loss for the six months ending 30 June 2017.

It should be noted that there is still more than one month of operations before the end of the relevant reporting period and the Company has yet to commence preparation of its interim results for the six months ending 30 June 2017. The information contained in this announcement is only based on

information currently available to the Board. The factors that have impacted the Group's trading results as described above may or may not continue to impact the Group through to 30 June 2017, and the Group's interim results for the six months ending 30 June 2017 will require discussion and review by the Company's auditors and the audit committee of the Board. As such, the actual interim results of the Group for the six months ending 30 June 2017 may differ materially from what is disclosed in this announcement. The Company expects to issue its results announcement for the six months ended 30 June 2017 in the second half of August 2017. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

**The Board wishes to remind investors that the above business update and profit warning are based on the Group's unaudited management accounts and internal records and an estimate of the Group's financial performance for the three months ending 30 June 2017. As such, shareholders and potential investors are reminded not to unduly rely on such information and are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Ourgame International Holdings Limited**  
**YANG Eric Qing**  
*Chairman and Executive Director*

Hong Kong, 29 May 2017

*As at the date of this announcement, the Board comprises Mr. YANG Eric Qing and Mr. NG. Kwok Leung Frank as executive directors; Mr. LIU Jiang, Mr. HUA Guanfa, Mr. FAN Tai and Mr. CHEN Xian as non-executive directors; and Mr. GE Xuan, Mr. LU Zhong and Mr. CHEUNG Chung Yan David as independent non-executive directors.*

\* *For identification purpose only*