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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	Changes
	RMB'000	*RMB'000*	
	(Audited)	(Audited)	
Revenue	**343,363**	377,758	–9%
Games revenue	**266,847**	309,543	–14%
Non-Games revenue	**76,516**	68,215	12%
(Loss)/Profit attributable to equity holders of the Company	**(622,970)**	(23,996)	2,496%
— Continuing operations(1)	**(449,398)**	(139,872)	221%
— Discontinued operations(1)	**(173,572)**	115,876	–250%
Non-IFRS adjusted net (loss)**	**(668,476)**	(18,027)	3,608%
Attributable to equity holders of the Company	**(593,933)**	933	–63,758%
— Continuing operations(1)	**(420,361)**	(114,943)	266%
— Discontinued operations(1)	**(173,572)**	115,876	–250%
Attributable to non-controlling interests	**(74,543)**	(18,960)	293%
— Continuing operations(1)	**(74,543)**	(18,960)	293%
— Discontinued operations(1)	**—**	—	—

(1) For the purpose of this annual results announcement, discontinued operations refer to the business operations under the Divested Group as set out in the announcement of the Company dated 15 August 2018, and continuing operations refer to the remaining business operations of the Group.

** Non-IFRS adjusted net (loss)/profit was derived from the audited net (loss)/profit for the year excluding share-based compensation expense of RMB29.0 million (2017: RMB24.9 million).

REVENUE BY GEOGRAPHICAL AREAS

	Year ended 31 December		
	2018	2017	Changes
	RMB'000	*RMB'000*	
	(Audited)	(Audited)	
PRC[(1)]	**205,167**	267,859	–23%
Outside the PRC[(2)]	**138,196**	109,899	26%
Total revenue	**343,363**	377,758	–9%

(1) For the purpose of this annual results announcement, the revenue from the PRC does not include those from Hong Kong, Macau and Taiwan (if any).

(2) The revenue outside the PRC was primarily derived from (i) the Peerless Group which engages 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**"), and (ii) the eSports Group which engages in eSports venue management, content production and new online services.

BUSINESS REVIEW

The board (the "**Board**") of directors (the "**Directors**") of Ourgame International Holdings Limited (the "**Company**" or "**Ourgame**") hereby announces the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018. The annual results have been reviewed and approved by the Company's audit committee.

The revenue of the Group decreased by RMB34.4 million to RMB343.4 million for the year ended 31 December 2018. The non-IFRS adjusted net profit decreased to a loss of RMB668.5 million for the year ended 31 December 2018. A majority of the loss was attributable to the one-time write-off and increase in provision for impairment of the carrying values of China card and board games businesses related intangible assets, goodwill, investments and trade and other receivables.

The year 2018 has been one of the most challenging periods for the Company. From the beginning of the year, we encountered unexpected and significant industry-wide regulatory headwinds in our China domestic card and board games business, which has been a key component of the Company's business. The suspension of new game permit issuance starting from the end of March 2018 has had a major impact as new games could not be launched and/or start receiving user payments, contributing to a significant market downturn in the industry as a whole. Regulations and regulatory practices on the approval, publishing and operation of card and board games in general and Texas Hold'em games in particular also became significantly more restrictive, thus making the operating environment challenging and with more risks and uncertainties. The Company's PC and mobile card and board games businesses were both adversely impacted by the uncertain government policies and administrative measures, in particular the Texas Hold'em and PC games in the PRC being affected the most. The regulatory changes and uncertainties were most significant in the first half of the year. Although there was better regulatory clarity as the second half of the year progressed, such regulatory changes and uncertainties caused a substantial downturn in revenue and profitability of the Company for the year as a whole.

The Company has taken proactive and drastic actions to address these challenges and negate the impact of the market downturn experienced during the year. Given the challenging environment for the China card and board games business, the Company has resolutely but rationally optimized the number of staff across its mobile game and PC game businesses. Redundancy actions were taken, resulting in one-off restructuring costs but significant savings on ongoing operating costs. Cost saving actions were also taken across the board on decreasing leased office space, data center leases and other cost items that resulted in further reduction of expenses and optimization of the cost structure. The Company has restructured the PC games businesses that may be impacted by the uncertain government policies/administrative measures and outsourced the operation of those businesses to an independent third party, so that the Company could save the corresponding and significant operating costs and also achieve better operational risk management. The Company has also worked to shift the focus of its domestic PRC game operations onto games that are not impacted by the policy uncertainty and also launched major user base activation campaigns through email outreach and other means to re-activate long term dormant users. The actions taken have been effective and the Company's operational results have stabilized and seen improvement in the second half of the year, and in particular in the fourth quarter.

While we were addressing the challenges in our China domestic card and board games business, we continued to make progress on the Company's eSports and WPT businesses. In the first half of 2018, our eSports subsidiary, Allied eSports, officially opened its global flagship arena at the MGM Luxor Casino and Hotel in March in Las Vegas, U.S.A. The first major eSports event at the Las Vegas Arena held with the leading eSports streamer in the US resulted in record breaking viewership of 680 thousand peak concurrent viewers and more than 2.5 million unique viewers. It demonstrated Allied eSports' integrated and broad capabilities on property venue, tournament creation and management, and content production. The Allied eSports Las Vegas Arena has become an instant landmark and one of the most sought after venues for eSports tournament and content generation of the highest quality and caliber. The Group's WPT business continued to expand into new geographies and its TV programs continued to reach a growing TV audience of more than 140 million households worldwide as of December 2018. Its brand power continues to fuel the growth of its licensing business with partners including Zynga and its improved operation continued to reflect positively on its financials.

The Company announced the signing of a definitive agreement on 19 December 2018, pursuant to which Allied eSports and WPT are expected to merge, subject to shareholder and regulatory approvals and satisfaction of other conditions to closing, with a Nasdaq listed company, Black Ridge Acquisition Corporation (stock symbol "BRACU") ("**Black Ridge**"), to form a holding company of the Allied eSports and WPT businesses, Allied Esports Entertainment, Inc. ("**AESWPT Holdco**"). As mentioned in the Company's announcement dated 24 December 2018, the consideration for the Allied eSports and WPT assets is expected to amount to approximately US$203 million (comprising common stock, warrants and contingent stock of Black Ridge, and cash to the Company). Immediately after such merger, AESWPT Holdco will continue to be an indirect non-wholly owned subsidiary of the Company through the significant control the Company will exercise over it by virtue of being the single largest shareholder of Black Ridge and its appointment of a majority of the board of directors of Black Ridge. As a result, the Company expects to consolidate the financial results of AESWPT Holdco into the financial statements of the Company following the merger. The Company believes that the merger is a transformative transaction that elevates the Allied eSports and WPT businesses to the next level, unlocking significant value for the Company and its shareholders, and providing the Company with access to significant cash resources to finance its continued international expansion. eSports is one of the most significant consumer entertainment trends with vast number of users. The Company has been investing in eSports since 2014 with the initial investment into Wangyu Wangka. The merger with Black Ridge and listing of Allied eSports and WPT is a cumulative recognition of the Company's multi-year efforts and will lay the foundation for more and faster growth on this sector to come. Shareholders and investors are reminded that the merger remains subject to a number of conditions to completion. The Company will provide further updates in due course.

Despite the challenges in 2018, we believe we have turned a difficult page. Going forward, we believe the Company's businesses all hold great promise. The China business, after cost cutting and optimization, as well as with gradually more regulatory clarity, will now look for opportunities to grow again. The merger with Black Ridge, should it be consummated, will turbo charge the growth of WPT and Allied eSports and the Company as the single largest shareholder of AESWPT Holdco will continue to enjoy the benefits of this growth. In summary, we continue to be strongly confident in the Company's future prospects and will continue our endeavors to pursue them.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. *Overview*

The loss attributable to equity holders of the Company amounted to RMB623.0 million (which comprised loss of RMB449.4 million from continuing operations and loss of RMB173.6 million from discontinued operations) for the year ended 31 December 2018, as compared with loss attributable to equity holders of the Company of RMB24.0 million (which comprised loss of RMB139.9 million from continuing operations and profit of RMB115.9 million from discontinued operations) for the year ended 31 December 2017.

Non-IFRS adjusted net loss* attributable to equity holders of the Company amounted to RMB593.9 million for the year ended 31 December 2018, as compared with non-IFRS adjusted net profit* attributable to equity holders of the Company of RMB0.9 million for the year ended 31 December 2017.

* Non-IFRS adjusted net (loss)/profit was derived from the audited loss for the years excluding share-based compensation expense.

2. *Revenue*

In 2018, revenue of the Group from continuing operations amounted to RMB343.4 million, representing a decrease of RMB34.4 million or 9.1% as compared with RMB377.8 million in 2017. The decrease was mainly due to unexpected changes in our market environment.

3. *Cost of Revenue and Gross Profit Margin*

In 2018, cost of revenue of the Group from continuing operations amounted to RMB217.8 million, representing a decrease of RMB37.9 million or 14.8% as compared with RMB255.7 million in 2017. The resulting gross profit margin increased from 32.3% for the year ended 31 December 2017 to 36.6% for the year ended 31 December 2018. The increase was mainly due to cost control during the year.

4. *Other Income*

In 2018, other income of the Group from continuing operations amounted to RMB19.6 million, representing a decrease of RMB23.8 million or 54.9% as compared with RMB43.5 million in 2017. This was primarily due to the lack of gain on partial disposal of an associate for the year ended 31 December 2018.

5. *Selling and Marketing Expenses*

In 2018, selling and marketing expenses of the Group from continuing operations amounted to RMB75.2 million, representing a decrease of RMB78.1 million or 50.9% as compared with RMB153.3 million in 2017. The decrease was mainly due to cost control in light of changes in market environment during the year.

6. *Administrative Expenses*

In 2018, administrative expenses of the Group from continuing operations amounted to RMB371.3 million, representing an increase of RMB268.7 million or 262.0% as compared with RMB102.6 million in 2017. The increase was mainly due to our acquisition of eSports Arena LLC ("**eSports Arena**") and Nanjing Haoyun Meicheng Electronics Co., Ltd becoming our subsidiaries during the year and its expenses being fully consolidated into our Group.

7. *Research and Development Expenses*

In 2018, research and development expenses of the Group from continuing operations amounted to RMB10.9 million, representing a decrease of RMB27.4 million or 71.5% as compared with RMB38.3 million in 2017. The decrease was mainly due to the reduction of preparation for new versions of mobile games and costs incurred in associated research and development activities.

8. *Fair Value Changes of Financial Assets at Fair Value through Profit or Loss*

In 2018, gain on fair value changes of financial assets at fair value through profit or loss of the Group amounted to RMB8.2 million, as compared with nil in 2017. The increase was mainly due to our investee companies' increased fair value during the year.

9. *Fair Value Changes of Contingent Consideration Payables*

In 2018, gain on fair value changes of contingent consideration payables of the Group amounted to RMB45.3 million, representing an increase of RMB38.4 million or 556.5% as compared with RMB6.9 million in 2017. The increase was mainly due to fair value changes of profit guarantee in the acquisition of Nanjing Haoyun Meicheng Electronics Co., Ltd.

10. *Impairment of Assets*

In 2018, in light of changes in market environment during the year, the Group wrote-down substantially on the carrying values of the assets relating to the PRC card and board games businesses.

The impairment of assets amounted to RMB358.6 million. The impaired assets included the China domestic card and board games related intangible assets (which mainly related to game intellectual properties, trademark and licenses, development costs and customer relationships), goodwill, interests in associates and trade and other receivables. For trade and other receivables, the Group had fully impaired the receivables that were considered unrecoverable, while for the rest the Group had applied various percentages according to the Group policy. The Company considered that the receivables not being impaired are recoverable.

11. ***Loss Attributable to Equity Holders of the Company***

The loss attributable to equity holders of the Company amounted to RMB623.0 million (which comprised loss of RMB449.4 million from continuing operations and loss of RMB173.6 million from discontinued operations) for the year ended 31 December 2018, as compared with loss attributable to equity holders of the Company of RMB24.0 million (which comprised loss of RMB139.9 million from continuing operations and profit of RMB115.9 million from discontinued operations) for the year ended 31 December 2017. The decrease was mainly due to unexpected changes in our market environment.

12. ***Non-IFRS Measure — Adjusted Net (Loss)/Profit***

To supplement this annual results announcement which is presented in accordance with the International Financial Reporting Standards ("**IFRS**"), we also use audited non-IFRS adjusted net loss/profit* attributable to equity holders of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business.

In 2018, the audited non-IFRS adjusted net loss attributable to equity holders of the Company amounted to RMB593.9 million, as compared with the audited non-IFRS adjusted net profit attributable to equity holders of the Company of RMB0.9 million for the year ended 31 December 2017.

Our audited non-IFRS adjusted net loss/profit* attributable to equity holders of the Company for 2018 and 2017 were derived from loss attributable to equity holders of the Company for the years excluding share based compensation expense of RMB29.0 million (2017: RMB24.9 million).

* Non-IFRS adjusted net loss/profit was derived from the audited loss for the year excluding share-based compensation expense.

13. ***Income Tax Credit/Expense***

In 2018, income tax credit of the Group from continuing operations amounted to RMB15.5 million, as compared to income tax expense of RMB4.7 million in 2017. The income tax credit mainly due to deferred tax credited to income statement along with intangible assets recognised on Nanjing Haoyun Meicheng Electronics Co., Ltd.

14. ***Liquidity and Source of Funding and Borrowing***

In 2018, the Group's total bank balances and cash decreased by 34.2% from RMB247.4 million as at 31 December 2017 to RMB162.7 million as at 31 December 2018. The decrease was primarily a result of the cash payments for our acquisition of property, plant and equipment and intangible assets and payments for our acquisition of subsidiaries, offset by funds from issue of new shares during the year.

As at 31 December 2018, the current assets of the Group amounted to RMB445.1 million, including bank balances and cash of RMB162.7 million, other current assets of RMB237.1 million and assets included in disposal group classified as held for sale of RMB45.3 million. Current liabilities of the Group amounted to RMB253.0 million, of which trade and other payables and deferred revenue of RMB122.0 million, convertible bonds of RMB70.3 million, other current liabilities of RMB44.1 million and liabilities included in disposal group classified as held for sale of RMB16.6 million. As at 31 December 2018, the current ratio (the current assets to current liabilities ratio) of the Group was 1.76 as compared to 4.9 as at 31 December 2017. Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group's gearing ratio was nil (2017: nil). The Group currently intends to finance future expansion, investments and business operations primarily with internal resources, but may explore other financing sources in appropriate circumstances.

15. ***Material Investments***

Save as disclosed in the announcement of the Company dated 24 December 2018 in relation to the potential merger with Black Ridge, the Group did not have any material investment during the year ended 31 December 2018.

16. ***Material Acquisitions***

For the year ended 31 December 2018, the Group acquired 100% interests in Nanjing Haoyun Meicheng Electronics Co., Ltd. at a total consideration of RMB220,000,000, among which RMB136,000,000 shall be settled in cash and RMB84,000,000 shall be settled in issuing consideration shares. The Group also acquired further shareholding in the associate, eSports Arena at a cash consideration of USD1,484,295 and a commitment of USD40 million for the growth and development plan of eSports Arena by 31 January 2020. The shareholding increased from 18% to 82.44% upon completion of this acquisition. Any shortfall in the USD40 million commitment amount by 31 January 2020 shall trigger a decrease in the Group's shareholding pro rata to the shortfall.

17. ***Financial Assets at Fair Value Through Profit or Loss***

The Group makes investments in financial assets at fair value through profit or loss for the purposes of (i) supplementing the Group's games portfolio to drive higher monetization of our user base and profitability, (ii) exploring new business opportunities in related areas of our business eco-system for acquisitions and strategic and operational synergies and also leveraging on external financial resources for expertise and scale. As at 31 December 2018, the Group's financial assets at fair value through profit or loss amounted to RMB109.1 million (31 December 2017: available-for-sale financial assets of RMB174.3 million).

As at 31 December 2018, the Group's investments in unlisted equity investments amounted to RMB95.8 million, which included direct equity investments in selected startup companies mainly engaged in games or mind sports related technological research and development and direct subscription to the interests in private equity funds ("**Private Equity Funds**") that focus on providing early-stage funding for companies in the mind sports sector. A breakdown of the majority of these investments is set out below:

Name of Investee Company	**Amount of Capital Contributed by the Group** *RMB'000*	**Percentage of Shareholding**	**Principal Business**
Beijing Leti Wofu Culture Communication Co., Ltd. 北京樂體沃夫文化傳播有限公司	2,600	13%	Offline sports venues operation
Beijing Yilian Investment Centre (L.P.) 北京億聯投資中心(有限合夥)	5,000	5%	Investment/ management
Gong Qing Cheng Wujiang Xingyao Investment Management Partnership (L.P.) 共青城五疆星耀投資管理合夥企業(有限合夥)	20,000	8.6347%	Investment/ management
Beijing Zhongchuang Yonglian Investment Management Centre (L.P.) 北京眾創永聯投資管理中心(有限合夥)	23,000	22.77%	Investment/ management
Hang Zhou Lehu Investment Partnership (L.P.) 杭州樂互投資合夥企業(有限合夥)	10,000	19.61%	Investment/ management
Tong Xiang Juli Fengyuan Equity Investment Fund Management Partnership (L.P.) 桐鄉聚力豐遠股權投資基金管理合夥企業(有限合夥)	20,000	39.2%	Investment/ management

All these startup companies invested by the Group are in relatively early stage, and are mainly focused on product development and launching. For the year ended 31 December 2018, no dividends have been paid from invested startup companies. Our Private Equity Funds were also actively seeking and providing funds for early stage companies in the Internet, sports and entertainment segment, which could provide us with a platform to leverage on our experience and resources, and to minimize our investment risks. We believe that our investment initiative is an important aspect of our vision to build up our ecosystem as a whole. The Group will continue to seek other investment opportunities that not only create synergies on different levels but also offer high-yield return potential. The Group will continue to monitor its investment in financial assets at fair value through profit or loss in a responsible manner. There are no financial assets at fair value through profit or loss in the Group's investment portfolio that individually constitutes significant investment as none of the investments has a carrying amount that accounts for more than 5% of the Group's total assets as at 31 December 2018.

Movements of Financial Assets at Fair Value Through Profit or Loss

The movements of financial assets at fair value through profit or loss for the year ended 31 December 2018 are set out below:

	Unlisted equity investments	**Listed debt investments**	**Unlisted debt investments**	**Unlisted financial products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2018	154,344	—	—	20,000	174,344
Effects on adoption of IFRS 9	(70,652)	—	—	—	(70,652)
Reclassification	(6,883)	—	10,890	—	4,007
Additions	18,080	6,417	—	20,000	44,497
Disposals	(4,839)	(6,417)	—	(40,000)	(51,256)
Fair value changes*	5,732	—	2,396	—	8,128
Balance as at 31 December 2018	95,782	—	13,286	—	109,068

* Included fair value changes of financial assets at fair value through profit or loss in discontinued operations.

18. *Material Disposals*

On 15 August 2018, the Company entered into the reorganisation agreement (the "**Reorganisation Agreement**") with Beijing Lianzhong Co., Ltd. ("**Beijing Lianzhong**"), Beijing Lianzhong Garden Network Technology Co., Ltd.* (北京聯眾家園網絡科技有限責任公司) (the "**WFOE**"), Fei La Er Fashion (Beijing) Technology Co., Ltd.* (費拉爾時尚(北京) 科技有限公司) (the "**New PRC Holdco**") and the shareholders of Beijing Lianzhong ("**Beijing Lianzhong Shareholders**"), pursuant to which Beijing Lianzhong will retain the Ourgame Hall ("**聯眾大廳**"), Poker World ("**撲克世界**") and relevant board and card game businesses (the "**Divested Businesses**"), while the remaining businesses and assets, including but not limited to certain subsidiaries and all intellectual property rights ("**IPRs**"), will be transferred to the New PRC Holdco, a wholly-owned subsidiary of Beijing Lianzhong (the "**Reorganisation**"). The WFOE will then (i) enter into the new contractual arrangements with the New PRC Holdco and Beijing Lianzhong (as the registered shareholder of the New PRC Holdco) pursuant to which the Company will establish and retain control over, and enjoy the financial benefits of, the business and assets held by the New PRC

Holdco, and (ii) terminate the existing contractual arrangements with Beijing Lianzhong and the Beijing Lianzhong Shareholders, which will effectively result in the disposal of Beijing Lianzhong (including relevant subsidiaries and entities) and the Divested Businesses (other than the equity interest in the New PRC Holdco controlled through the new contractual arrangements) (the "**Proposed Disposal**").

In addition, pursuant to the Reorganisation Agreement, the New PRC Holdco will grant certain licenses to Beijing Lianzhong to use any IPRs relating to the Divested Businesses within China, starting from the date of completion of the transfer of all IPRs, certain subsidiaries and other assets of Beijing Lianzhong to the New PRC Holdco by means of capital increase or other method, for a license fee.

On 15 August 2018, Beijing Lianzhong and Beijing Maipu Taiqi Technology Co., Ltd.* (北京邁普太奇科技有限公司) ("**Beijing MPTQ**"), an independent third party, entered into the exclusive operation agreement (the "**Exclusive Option Agreement**"), pursuant to which Beijing Lianzhong will entrust, exclusively, Beijing MPTQ with all of Beijing Lianzhong's rights relating to the operation of the Divested Businesses between the date of the Exclusive Operation Agreement and the completion date of the Reorganisation Agreement.

Given that the objectives of the Proposed Disposal of the Divested Businesses have already been substantively met by the Exclusive Operation Arrangement, and in order not to incur any further costs, expenses and management time on the Reorganisation and Proposed Disposal, the Board has determined to postpone the Reorganisation or the Proposed Disposal.

Further details of the Reorganisation or the Proposed Disposal are set out in the announcements of the Company dated 15 August 2018 and 31 October 2018.

Save as disclosed, the Group did not have any material disposals of subsidiaries or associated companies during the year ended 31 December 2018.

19. ***Pledge of Assets***

As at 31 December 2018, none of the Group's assets were pledged (2017: nil).

20. ***Contingent Liabilities***

The Group had no material contingent liabilities as at 31 December 2018 (2017: nil).

21. ***Foreign Exchange Exposure***

During the year ended 31 December 2018, the Group mainly operated in China and in the United States of America and the majority of its transactions were settled in Renminbi ("**RMB**") or USD, being the functional currencies of the Group entities to which the transactions relate. As at 31 December 2018, the Group did not have significant foreign currency exposure from its operations.

22. ***Employee's Remuneration and Policy***

As at 31 December 2018, the Group had 265 employees, 125 of which were responsible for games development and operation or general administration in the People's Republic of China (including Hong Kong), 88 for esports business, and 52 for WPT business. The total remuneration expenses (including share-based compensation expense) for the year ended 31 December 2018 were RMB148.6 million, representing an increase of 14.3% as compared to the previous year.

We provide external and internal training programs to our employees. As required by PRC law, we participate in various employee benefit plans, including housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance.

23. ***Events Occurred since the End of the Year Ended 31 December 2018***

On 6 March 2019 (U.S. time), WPT Enterprises Inc., a subsidiary of the Company, entered into a five-year strategic alliance with TV Azteca SAB de CV (the "**Strategic Alliance Agreement**"), a company listed on the Mexican Stock Exchange (stock code: AZTECACP) and a company of Grupo Salinas, to bring WPT's poker content library to growing Latin America audience. In addition, Allied Esports International, Inc., a subsidiary of the Company, entered into an agreement with Grupo Salinas to work toward developing and launching an eSports strategy in Mexico. Further details of the Strategic Alliance Agreement are set out in the announcement of the Company dated 7 March 2019.

24. ***Future Plans for Material Investments or Capital Assets***

Save as disclosed in this announcement, the Group has no other future plans for material investments or capital assets.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining and promoting stringent corporate governance policies. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the "**Shareholders**").

Compliance with the Corporate Governance Code

During the year ended 31 December 2018, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang Eric Qing ("**Mr. Yang**") is the chairman and co-chief executive officer of the Company. Mr. Yang joined our Group in December 2010 and is responsible for general operation, investment, strategy and information technology of the Company and is instrumental to the Company's growth and business expansion. The Board considers that vesting the roles of chairman and chief executive officer in Mr. Yang is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Yang), four non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules to govern securities transactions by its Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they have strictly complied with the required standards as set out in the Model Code during the year ended 31 December 2018.

Audit Committee

The Company has established the Audit Committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, review and approve connected transactions of the Company and provide advice and comments to the Board.

During the year ended 31 December 2018, the Audit Committee consisted of three members, Dr. Tyen Kan Hee Anthony (who took up the position of the chairman of the Audit Committee from 27 March 2018 when Mr. Cheung Chung Yan David resigned as the chairman of the Audit Committee on the same day), Mr. Fan Tai and Mr. Ge Xuan. Mr. Fan is a non-executive Director and Dr. Tyen and Mr. Ge are independent non-executive Directors.

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2018. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

Purchase, Sale or Redemption of the Company's Listed Securities

Issue of Shares pursuant to Completion of Subscription Agreements

(a) *Management Subscription*

On 12 September 2017, the Company entered into a subscription agreement with Total Victory Global Limited, a company incorporated in the British Virgin Islands with limited liability and owned equally by Mr. Yang Eric Qing (an executive Director and co-chief executive officer of the Company, and chairman of the Board), Mr. Ng Kwok Leung Frank (an executive Director and co-chief executive officer of the Company) and Mr. Zhang Peng (president of the Group), for the subscription of 89,189,189 shares (the "**Management Subscription Shares**") at the subscription price of HK$1.85 per subscription share (the "**Management Subscription**").

(b) *Connected Subscription*

On 12 September 2017, the Company entered into a subscription agreement with Irena Group Co., Ltd., a company incorporated under the laws of the People's Republic of China with limited liability and a substantial Shareholder, for the subscription of 64,690,848 shares (the "**Connected Subscription Shares**") at the subscription price of HK$1.85 per subscription share (the "**Connected Subscription**").

(collectively, the "**Subscriptions")**

The Subscriptions were completed on 4 January 2018 and the Management Subscription Shares and the Connected Subscription Shares were issued on 4 January 2018. The gross proceeds from the Subscriptions amounted to approximately HK$284.7 million and the net proceeds raised were approximately HK$284.7 million. The proceeds have been and will be used by the Company in accordance with the plan as disclosed in the circular issued by the Company on 13 October 2017.

Further details of the Subscriptions are set out in the circular of the Company dated 13 October 2017 and the announcements of the Company dated 28 December 2017 and 4 January 2018.

Issue of Shares pursuant to Completion of Share Transfer Agreements

(a) *Nanjing Acquisition*

On 16 January 2018, the Company and its wholly-owned subsidiary, Tianjin Shengyou Shidai Technology Development Co., Ltd. ("**Tianjin Shengyou Shidai**"), entered into a share transfer agreement with Ms. Zhu Guifeng (the "**Nanjing Seller**") and Mr. Chen Zhong (the "**Nanjing Seller Guarantor**"), pursuant to which Tianjin Shengyou Shidai purchased the entire equity interest in Nanjing Haoyun Meicheng Electronics Technology Co., Ltd. ("**Nanjing Haoyun**") from the Nanjing Seller and the Nanjing Seller Guarantor at a consideration of RMB220 million (subject to adjustment) (the "**Nanjing Acquisition**"). The consideration of RMB220 million for the Nanjing Acquisition was settled (i) as to RMB136 million in cash (subject to adjustment); and (ii) as to RMB84 million by the Company allotting and issuing 38,888,888 consideration shares (subject to adjustment) at the issue price of HK$2.62 (equivalent to approximately RMB2.16).

The Nanjing Acquisition was completed on 9 February 2018 and the first instalment consideration shares (being 15,555,556 shares of the Company) were issued to the Nanjing Seller on 9 February 2018. Further details of Nanjing Acquisition are set out in the announcements of the Company dated 16 January 2018, 30 January 2018 and 9 February 2018.

(b) *Shenzhen Acquisition*

On 16 January 2018, the Company and Tianjin Shengyou Shidai entered into a share transfer agreement with Mr. Li Shangdong, Mr. Su Zhiyong and Mr. Zhou Xi (collectively, the "**Shenzhen Vendors**"), pursuant to which Tianjin Shengyou Shidai purchased the entire equity interest in Shenzhen Xunyou Internet Technology Co., Ltd. from the Shenzhen Vendors at a consideration of RMB150 million (subject to adjustment) (the "**Shenzhen Acquisition**"). The consideration of RMB150 million for the Shenzhen Acquisition shall be settled (i) as to RMB75 million in cash (subject to adjustment); and (ii) as to RMB75 million by the Company allotting and issuing 34,722,222 consideration shares (subject to adjustment) at the issue price of HK$2.62 (equivalent to approximately RMB2.16).

As of the date this annual result announcement, the Shenzhen Acquisition has not been completed and no shares were issued. Further details of the Shenzhen Acquisition are set out in the announcements of the Company dated 16 January 2018 and 30 January 2018.

(c) *Acquisition of Xiamen Yiwantang*

On 16 January 2018, the Company and Tianjin Shengyou Shidai entered into a share transfer agreement with Mr. Wang Yue, Mr. Chen Yitang, Mr. Fang Weibin, Mr. Wu Guodu and Mr. Zhuang Tenglong (collectively, the "**Xiamen Sellers**"), pursuant to which Tianjin Shengyou Shidai purchased the entire equity interest in Xiamen Yiwantang Internet Technology Co., Ltd. from the Xiamen Sellers at a consideration of RMB55 million (subject to adjustment) (the "**Xiamen Yiwantang Acquisition**"). The consideration of RMB55 million for the Xiamen Yiwantang Acquisition shall be settled (i) as to RMB30 million in cash (subject to adjustment);

and (ii) as to RMB25 million by the Company allotting and issuing 11,574,074 consideration shares (subject to adjustment) at the issue price of HK$2.62 (equivalent to approximately RMB2.16).

As of the date this annual results announcement, the Xiamen Yiwantang Acquisition has not been completed and no shares were issued. Further details of Xiamen Yiwantang Acquisition are set out in the announcements of the Company dated 16 January 2018 and 30 January 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2018.

Material Litigation

During the year ended 31 December 2018, the Group was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatening against the Group.

Final Dividend

The Board does not recommend the payment of any final dividend to the Shareholders for the year ended 31 December 2018 (2017: nil).

Annual General Meeting

The annual general meeting ("**AGM**") of the Company will be held on Thursday, 30 May 2019. A notice of the AGM will be issued and delivered to the Shareholders in due course.

For determining the right to attend and vote at the AGM to be held on 30 May 2019, the register of members of the Company will be closed from Friday, 24 May 2019 to Thursday, 30 May 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3	**343,363**	377,758
Cost of revenue		**(217,836)**	(255,710)
Gross profit		**125,527**	122,048
Other income	4	**19,613**	43,453
Selling and marketing expenses		**(75,150)**	(153,349)
Administrative expenses		**(371,292)**	(102,574)
Share-based compensation expense		**(29,037)**	(24,929)
Research and development expenses		**(10,948)**	(38,328)
Finance costs		**(2,271)**	(2,775)
Share of losses of associates		**(16,662)**	(4,554)
Fair value changes of financial assets at fair value through profit or loss		**8,151**	—
Fair value changes of contingent consideration payables	12	**45,332**	6,873
Fair value changes of convertible notes		**(1,691)**	—
Impairment of assets	17	**(230,969)**	—
Loss before income tax		**(539,397)**	(154,135)
Income tax credit/(expense)	6	**15,456**	(4,697)
Loss for the year from continuing operations	5	**(523,941)**	(158,832)
DISCONTINUED OPERATIONS			
(Loss)/Profit for the year from discontinued operations	16	**(173,572)**	115,876
Loss for the year		**(697,513)**	(42,956)
Other comprehensive income/(loss)			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		**11,359**	(4,377)
Total comprehensive loss for the year		**(686,154)**	(47,333)

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
(Loss)/Profit for the year attributable to:			
Equity holders of the Company			
— Continuing operations		**(449,398)**	(139,872)
— Discontinued operations		**(173,572)**	115,876
Non-controlling interests			
— Continuing operations		**(74,543)**	(18,960)
— Discontinued operations		**—**	—
		(697,513)	(42,956)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company			
— Continuing operations		**(439,315)**	(144,584)
— Discontinued operations		**(173,572)**	115,876
Non-controlling interests			
— Continuing operations		**(73,267)**	(18,625)
— Discontinued operations		**—**	—
		(686,154)	(47,333)
Earnings/(Loss) per share attributable to equity holders of the Company			
(expressed in RMB cents per share)			
Basic	*8*		
— Continuing operations		**(41.45)**	(17.74)
— Discontinued operations		**(16.01)**	14.70
		(57.46)	(3.04)
Diluted	*8*		
— Continuing operations		**(41.45)**	(17.74)
— Discontinued operations		**(16.01)**	14.70
		(57.46)	(3.04)

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 2.

Consolidated statement of financial position
as at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**160,888**	90,533
Intangible assets		**333,556**	326,846
Goodwill	*9*	**180,441**	129,443
Interests in associates		**20,586**	102,915
Loans to associates		**—**	21,979
Loans to third parties		**15,110**	14,430
Available-for-sale financial assets		**—**	154,344
Financial assets at fair value through profit or loss		**109,068**	—
Other non-current receivable		**—**	256
Deferred tax assets		**1,726**	1,726
		821,375	842,472
Current assets			
Inventories		**733**	1,235
Trade and other receivables	*10*	**174,275**	402,400
Loans to associates		**1,756**	7,132
Loans to third parties		**56,974**	58,735
Available-for-sale financial assets		**—**	20,000
Current portion of other non-current receivable		**—**	38,872
Tax recoverable		**3,348**	—
Bank balances and cash		**162,674**	247,366
		399,760	775,740
Assets included in disposal group classified as held for sale	*16*	**45,295**	—
		445,055	775,740

	Notes	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	11	**95,547**	87,518
Deferred revenue		**26,419**	18,852
Contingent consideration payables	12	**40,948**	3,328
Current portion of other non-current payable		**—**	38,872
Convertible notes	13	**70,323**	—
Income tax liabilities		**3,242**	9,675
		236,479	158,245
Liabilities included in disposal group classified as held for sale	16	**16,558**	—
		253,037	158,245
Net current assets		**192,018**	617,495
Total assets less current liabilities		**1,013,393**	1,459,967
Non-current liabilities			
Other non-current payable		**—**	256
Deferred tax liabilities		**33,419**	4,181
		33,419	4,437
Net assets		**979,974**	1,455,530
EQUITY			
Share capital	14	**340**	285
Reserves		**963,042**	1,444,971
Equity attributable to equity holders of the Company		**963,382**	1,445,256
Non-controlling interests		**16,592**	10,274
Total equity		**979,974**	1,455,530

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 2.

1. GENERAL INFORMATION

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations.

The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair values. Non-current assets and disposal group held for sale are stated the lower of carrying amount and fair value less costs to sell.

2. ADOPTION OF NEW AND AMENDED IFRSs

New and amended IFRSs that are effective for annual periods beginning on 1 January 2018

In the current year, the Group has applied for the first time the following new and amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 1	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of the new and amended IFRSs are discussed below. Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting IFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

— the classification and measurement of the Group's financial assets.

— investments in unlisted equity investment previously classified as available-for-sale financial assets under IAS 39 measured at cost less impairment, are now measured at fair value. through profit or loss ("FVTPL") upon adoption of IFRS 9. The carrying amount was restated from RMB154,344,000 to its fair value of RMB83,692,000 as at 1 January 2018, and the difference of RMB70,652,000 are being recognised in retained earnings as at 1 January 2018.

— Investments in unlisted trust funds previously classified as available-for-sale financial assets under IAS 39 measured at cost less impairment, are now measured at FVTPL upon adoption IFRS 9. These investments have been stated at fair value and there was no significant difference between the fair value and the carrying amount of the investments as at 1 January 2018, therefore no adjustments were made to the opening equity.

— IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including bank balances and cash, loans to associates and third parties and trade and other receivables).

For trade receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL.

Upon the adoption of IFRS 9, the Group recognised additional ECL on the Group's trade and other receivables and loans to associates and third parties of RMB14,229,000 which resulted in a decrease in retained earnings to RMB265,385,000 as at 1 January 2018.

	Measurement category				
	Original IAS 39 category	**New IFRS 9 category**	**31 December 2017 (IAS 39)**	**Adoption of IFRS 9 Remeasurement**	**1 January 2018 (IFRS 9)**
			RMB'000	*RMB'000*	*RMB'000*
Non-current financial assets					
Unlisted equity investments	Available-for-sale financial assets	FVTPL	154,344	(70,652)	83,692
Loan to associates	Amortised cost	Amortised cost	21,979	(2,088)	19,891
Loans to third parties	Amortised cost	Amortised cost	14,430	(1,371)	13,059
Other non-current receivable	Amortised cost	Amortised cost	256	—	256
			191,009	(74,111)	116,898
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	402,400	(7,345)	395,055
Loans to associates	Amortised cost	Amortised cost	7,132	(371)	6,761
Loans to third parties	Amortised cost	Amortised cost	58,735	(3,054)	55,681
Current portion of other non-current receivable	Amortised cost	Amortised cost	38,872	—	38,872
Unlisted trust funds	Available-for-sale financial assets	FVTPL	20,000	—	20,000
Cash and cash equivalents	Amortised cost	Amortised cost	247,366	—	247,366
			774,505	(10,770)	763,735
Total financial asset balances			965,514	(84,881)	880,633

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The total impact on the Group's retained earnings, net of tax, as at 1 January 2018 is as follows:

	RMB'000
Retained earnings as at 31 December 2017	350,266
Remeasurement of financial assets at FVTPL under IFRS 9	(70,652)
Recognition of ECL under IFRS 9	(14,229)
Retained earnings as at 1 January 2018	265,385

ECL

The following table reconciles the provision of impairment determined in accordance with IAS 39 as at 31 December 2017 with the opening ECL determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
Provision of impairment at 31 December 2017 under IAS 39	11,133
Additional ECL recognised at 1 January 2018 on:	
— Trade and other receivables, loans to associates and third parties	14,229
ECL at 1 January 2018 under IFRS 9	25,362

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to IFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15") replace IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations.

(i) *Timing of revenue recognition*

Previously, revenue arising from provision of gaming services was recognised at a point in time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

(ii) *Presentation of contract assets and liabilities*

Previously, contract balances relating to service fees prepaid by game players were presented in the consolidated statement of financial position under "deferred revenue".

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

The "deferred revenue" in relation to service fees prepaid by game players for the Group's online games in the forms of prepaid game cards, virtual currencies and virtual goods, for which the related services had not been rendered at the reporting dates, would be under the scope of "contract liabilities" of IFRS 15.

Issued but not yet effective IFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined
[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3. REVENUE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Online games business — Lianzhong Group — Mobile Business	**205,167**	267,859
Online games business — Peerless Group	**102,126**	89,812
eSports business	**36,070**	20,087
	343,363	377,758

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Other revenue		
Bank interest income	**2,417**	2,746
Gain on disposal of property, plant and equipment	**—**	267
Gain on disposal of intangible assets	**—**	2,320
Gain on disposal of financial assets at fair value through profit or loss	**185**	2,000
Gain on partial disposal of an associate	**—**	27,632
Interest income from loans to third parties	**7,753**	5,305
Interest income from loans to associates	**170**	326
	10,525	40,596
Other net income		
Subsidy income from government	**3,125**	750
Sundry income	**5,963**	2,107
	9,088	2,857
	19,613	43,453

5. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Finance costs		
Interest charges on 2017 Convertible Notes *(note 13)*	**—**	2,775
Interest charges on 2018 Convertible Notes *(note 13)*	**1,828**	—
Interest expenses	**443**	—
	2,271	2,775
Employee benefit expenses		
Salaries, bonus and allowances	**91,291**	88,120
Retirement benefit scheme contributions	**7,919**	9,253
Severance payments	**20,344**	7,685
Share-based compensation expense	**29,037**	24,929
	148,591	129,987
Other items		
Auditors' remuneration	**2,200**	1,745
Depreciation of property, plant and equipment	**39,201**	31,680
Amortisation of intangible assets	**99,598**	116,578
Net foreign exchange loss	**123**	2,213
Operating lease charges on office premises	**22,118**	18,192
Loss on disposal of associates	**3,300**	—
Loss on disposal of subsidiaries	**25,098**	1,530
Loss/(Gain) on disposal of property, plant and equipment	**1,265**	(107)

6. INCOME TAX (CREDIT)/EXPENSE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current tax		
The PRC		
— Current year	**887**	6,109
— (Over)/Under-provision in respect of prior year	**(1,842)**	287
	(955)	6,396
Deferred tax		
Origination and reversal of temporary differences	**(14,501)**	(1,699)
Income tax (credit)/expense	**(15,456)**	4,697

7. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2018 and 2017.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the year.

	2018	2017 (Restated)
(Loss)/Profit attributable to equity holders of the Company for the year (RMB'000)		
— Continuing operations	**(449,398)**	(139,872)
— Discontinued operations	**(173,572)**	115,876
	(622,970)	(23,996)
Weighted average number of ordinary shares in issue during the year	**1,084,086,991**	788,254,778
Basic (loss)/earnings per share (in RMB cents per share)		
— Continuing operations	**(41.45)**	(17.74)
— Discontinued operations	**(16.01)**	14.70
	(57.46)	(3.04)

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year after adjusting for the effects of all dilutive potential ordinary shares.

For the year ended 31 December 2017, the Company has two categories of dilutive ordinary shares, being the share option schemes of the Company (Management Pre-IPO Share Option Scheme and the 2014 Share Option Scheme) and the 2017 Convertible Notes. The impacts of 2017 Convertible Notes before conversion and the share options had anti-dilutive effect on the basis (loss)/earnings per share amounts presented.

For the year ended 31 December 2018, the Company has two categories of dilutive ordinary shares, being the Company's share option schemes as stated above and contingent consideration shares. The impacts of share options and contingent consideration shares had anti-dilutive effect on the basic loss per share amounts presented.

9. GOODWILL

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**129,443**	104,050
Acquisitions of subsidiaries *(note 15)*	**97,307**	34,409
Disposal of subsidiaries	**(24,067)**	—
Provision for impairment	**(28,170)**	—
Net exchange differences	**5,928**	(9,016)
At 31 December	**180,441**	129,443

10. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
From third parties	**75,424**	215,356
Less: provision for impairment of trade receivables	**(44,041)**	(10,133)
	31,383	205,223

Ageing analysis based on recognition date of the gross trade receivables at the reporting dates is as follows:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**9,026**	71,976
31–60 days	**2,873**	26,273
61–90 days	**417**	6,424
91–180 days	**3,548**	34,547
181–365 days	**17,156**	6,545
Over 1 year	**42,404**	69,591
	75,424	215,356

11. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
To third parties	**14,159**	33,404
To an associate	**5**	1,293
	14,164	34,697

The ageing analysis of trade payables to third parties based on recognition date is as follows:

	2018	2017
	RMB'000	*RMB'000*
0–30 days	**10,470**	15,278
31–60 days	**510**	6,401
61–90 days	**579**	576
91–180 days	**323**	1,895
181–365 days	**1,608**	5,142
Over 1 year	**669**	4,112
	14,159	33,404

12. CONTINGENT CONSIDERATION PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Contingent consideration payable for profit guarantee and further acquisition option in relation to the acquisition of Tianjing Zhongqui Weiye	**—**	2,422
Contingent consideration payable for profit guarantee in relation to the acquisition of Beijing Zhangzhong Qiji	**—**	906
Contingent consideration payable for profit guarantee in relation to the acquisition of Nanjing Haoyun	**40,948**	—
	40,948	3,328

13. CONVERTIBLE NOTES

Convertible Notes issued in 2018

On 11 October 2018, the Company issued convertible notes with an aggregate principal amount of US$10,000,000 (equivalent to RMB68,632,000) (the "2018 Convertible Notes"). The 2018 Convertible Notes carry interest at 12% per annum, payable annually in arrears. The 2018 Convertible Notes will mature in 12 months and the Company shall redeem at 100% of the principal amount on the maturity date.

The noteholders shall have the right to convert the 2018 Convertible Notes into equity securities of either (i) each of Allied Esports and Noble Link, or (ii) a holding company incorporated to hold the Group's interests in Allied Esports and Noble Link ("AESWPT Holdco"), in each case in the event of a qualified financing. Upon exercise of the conversion right attached to the Convertible Notes in full, the noteholders will receive up to 10% of the outstanding equity securities of (i) each of Allied Esports and Noble Link or (ii) AESWPT Holdco immediately prior to the closing of a Qualified Financing (assuming full conversion or exercise of any convertible and exercisable securities then outstanding other than the 2018 Convertible Notes). The 2018 Convertible Notes were accounted for as fair value through profit or loss.

The movements of 2018 Convertible Notes during the year is as follows:

	Total
	RMB'000
At 1 January 2018	—
Issue of 2018 Convertible Notes	68,632
Fair value changes of 2018 Convertible Notes	1,691
At 31 December 2018	70,323

Convertible Notes issued in 2017

On 28 July 2017, the Company issued convertible notes with an aggregate principal amount of RMB104,076,000 (equivalent to HK$120,000,000 based on the fixed exchange rate of RMB1: HK$1.153 (the "Fixed Exchange Rate") as stated in the subscription agreement) (the "2017 Convertible Notes"). The 2017 Convertible Notes carry interest at 6% per annum, payable quarterly in arrears and all interest payments shall be in HK$ based on the Fixed Exchange Rate. The 2017 Convertible Notes will mature in 30 months and the Company shall redeem at 100% of the principal amount on the maturity date. The noteholder shall have the right to convert the Convertible Notes into ordinary shares of the Company at the conversion price of RMB2.312 per share (equivalent to HK$2.666 per share based on Fixed Exchange Rate) (the "Initial Conversion Price"). The Initial Conversion Price shall be adjusted to equal to the new issue price if the Company issues ordinary shares at a price that is lower than the Initial Conversion Price. The number of ordinary shares to be issued upon conversion at Initial Conversion Price will be 45,011,252 shares.

On 28 December 2017, the noteholder exercised the conversion rights and the 2017 Convertible Notes were converted in full into ordinary shares of the Company. The Initial Conversion Price was adjusted to HK$1.85 per share and the number of ordinary shares issued upon conversion was 64,864,864 shares (note 14).

The movements of 2017 Convertible Notes during the year is as follows:

	Liability component	Equity component	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	—	—	—
Issue of 2017 Convertible Notes	103,381	695	104,076
Interest expense *(note 5)*	2,775	—	2,775
Payment of interest expense	(2,775)	—	(2,775)
Exchange differences	195	—	195
Conversion of 2017 Convertible Notes	(103,576)	(695)	(104,271)
At 31 December 2017	—	—	—

The liability component represented the debt component of the 2017 Convertible Notes and was initially recognised at fair value.

14. SHARE CAPITAL

The movements in the share capital of the Company are as follows:

	Notes	Number of shares	Nominal value of shares *US$'000*	Equivalent nominal value of shares *RMB'000*
Authorised:				
Ordinary shares:				
At 31 December 2017 and 2018		10,000,000,000	500	
Issued and fully paid:				
Ordinary shares:				
At 1 January 2017		786,793,374	39	240
Exercise of share options	*(i)*	130,000	1	—
Conversion of 2017 Convertible Notes into shares	*(ii)*	64,864,864	3	22
Issuance of new shares	*(iii)*	71,351,351	4	23
At 31 December 2017 and 1 January 2018		923,139,589	47	285
Exercise of share options	*(iv)*	780,261	—	—
Issuance of new shares for management subscription	*(v)*	153,880,037	8	50
Issuance of new shares for acquisition	*(vi)*	15,555,556	1	5
At 31 December 2018		1,093,355,443	56	340

Notes:

(i) Exercise of share options

During the year ended 31 December 2017, options were exercised to subscribe for 130,000 shares of the Company at a consideration of approximately RMB314,000, of which RMB31 was credited to share capital and the balance of approximately RMB314,000 was credited to the share premium account. As a result of the exercise of share options, RMB91,000 has been transferred from the share option reserve to the share premium account.

(ii) Conversion of 2017 Convertible Notes into shares

On 28 December 2017, 64,864,864 shares were issued upon conversion of the 2017 Convertible Notes (note 13).

(iii) Issuance of new shares

On 28 December 2017, the Company issued 71,351,351 ordinary shares to an independent subscriber, Noumena Innovations (BVI) LTD. at an issue price of HK$1.85 per share. The proceeds were approximately RMB110,526,000 (equivalent to HK$132,000,000). The proceeds are intended to be used for further developing the eSports business and the WPT business, revamping and updating the Group's core mobile product portfolio, acquiring and/or developing China regional card and board games platforms and replenishing working capital.

(iv) Exercise of share options

During the year ended 31 December 2018, options were exercised to subscribe for 780,261 ordinary shares of the Company at a consideration of approximately RMB2,221,000, of which RMB250 was credited to share capital and the balance of approximately RMB2,221,000 was credited to the share premium account. As a result of the exercise of share options, RMB474,000 has been transferred from the share option reserve to the share premium account.

(v) Issuance of new shares for management subscription

On 4 January 2018, the Company issued 89,189,189 ordinary shares to a management subscriber, Jian Ying Ourgame High Growth Investment Fund at an issue price of HK$1.85 per share. The proceeds was approximately RMB137,280,000 (equivalent to HK$165,000,000). On the same date, the Company issued 64,690,848 ordinary shares to a connected subscriber, Glassy Mind Holdings Limited at an issue price of HK$1.85 per share. The proceeds were approximately RMB99,572,000 (equivalent to HK$119,678,000). The net proceeds from these management subscriptions were approximately RMB236,686,000. The proceeds are intended to be used for further developing the eSports business and the WPT business, revamping and updating the Group's core mobile product portfolio, acquiring and/or developing China regional card and board games platforms and replenishing working capital.

(vi) Issuance of new shares for acquisition

On 9 February 2018, the Company issued 15,555,556 ordinary shares at an issue price of HK$2.62 (equivalent to approximately RMB2.16) per share as share consideration for the acquisition of the entire equity interest in Nanjing Haoyun. The closing price of the shares was HK$2.51 (equivalent to approximately RMB2.02) per share on 9 February 2018.

15. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Nanjing Haoyun Meicheng Electronics Co., Ltd. (南京好運美成電子科技有限公司)

On 9 February 2018, the Group acquired 100% of the issued share capital of 南京好運美成電子科技有限公司 ("Nanjing Haoyun Meicheng Electronics Co., Ltd." or "Nanjing Haoyun") at a total consideration of RMB220,000,000 (the "Consideration"), among which RMB136,000,000 shall be settled in cash and RMB84,000,000 shall be settled in issuing consideration shares, which shall be payable in three instalments from the date of completion to year 2020 as follows:

	Cash consideration	**Consideration shares**	**Total**	**Number of consideration shares**
	RMB'000	*RMB'000* *(note)*	*RMB'000*	*(Unit)*
First instalment	60,400	33,600	94,000	15,555,556
Second instalment	37,800	25,200	63,000	11,666,666
Third instalment	37,800	25,200	63,000	11,666,666
Total	136,000	84,000	220,000	38,888,888

Note: Based on the issue price of HK$2.62 (equivalent to approximately RMB2.16) per consideration share as stated in the acquisition agreement.

As part of the Group's strategy is to actively seek investment opportunities that would bring strategic resources to expand the Group's portfolio and user base, the directors of the Company believe that the acquisition presents an opportunity for the Group to complement and enlarge China national games platforms. In view of the existing card and board games developed and operated by Nanjing Haoyun and the geographical coverage of Nanjing Haoyun in China, and the experiences of the members of the core management team in Nanjing Haoyun in developing and operating card and board games, the directors of the Company believe that the acquisition will further consolidate the Group's leading position in its domestic China card and board games business and enhance its brand influence.

The following summarises the consideration paid for Nanjing Haoyun and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	Fair value of net identifiable assets and liabilities acquired
		RMB'000
Property, plant and equipment		1,616
Intangible assets		174,312
Trade and other receivables		5,696
Bank balances and cash		29,776
Trade and other payables		(37,064)
Income tax payable		(66)
Deferred tax liabilities		(43,578)
Net identifiable assets acquired		130,692
Goodwill		74,394
		205,086
Satisfied by:		
Cash consideration		60,400
Fair value of consideration shares issued		31,536
Contingent consideration payables	*12*	113,150
		205,086

Profit Guarantee

Pursuant to the acquisition agreement, the vendors undertook that the audited net profit of Nanjing Haoyun for the year ending 31 December 2018 shall not be less than RMB40,000,000 (the "Nanjing Haoyun's 2018 Guarantee Profit") and for the year ending 31 December 2019 shall not be less than RMB52,000,000 (the "Nanjing Haoyun's 2019 Guarantee Profit").

Adjustments to the Consideration

In the event that the Nanjing Haoyun does not meet the Nanjing Haoyun's 2018 Guarantee Profit, the vendors shall compensate to the Group by adjusting the second tranche of consideration payment in accordance with the following formula:

2018 Compensation Amount = (Nanjing Haoyun's 2018 Guarantee Profit – audited net profit) × 4

In the event that the Nanjing Haoyun does not meet the Nanjing Haoyun's 2019 Guarantee Profit, the vendors shall compensate to the Group by adjusting the third tranche of consideration payment in accordance with the following formula:

2019 Compensation Amount = (Nanjing Haoyun's 2019 Guarantee Profit – audited net profit) × 4

In no events shall the difference of the Consideration and the sum of 2018 Compensation Amount and 2019 Compensation Amount exceeds RMB220,000,000.

(b) Acquisition of eSports Arena LLC

On 1 January 2018, the Group acquired additional interests of 64.44% of the issued share capital of the associate, eSports Arena LLC ("eSports Arena") at a total consideration of US$1,484,295 (equivalent to approximately RMB10,376,000) (the "Consideration").

The following summarises the consideration paid for eSports Arena and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair value of net identifiable assets and liabilities acquired
	RMB'000
Property, plant and equipment	16,628
Intangible assets	7,057
Trade and other receivables	6,855
Bank balances and cash	68
Trade and other payables	(33,116)
Net identifiable liabilities assumed	(2,508)
Fair value of non-controlling interests	(5,278)
Goodwill	22,913
	15,127
Satisfied by:	
Cash	10,376
Fair value of 18% interest in associate given up	4,751
	15,127

The Group also acquired further shareholding in the associate, eSports Arena at a cash consideration of US$1,484,295 and a commitment of US$40 million for the growth and development plan of eSports Arena by 31 January 2020. The shareholding increased from 18% to 82.44% upon completion of this acquisition.

16. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2018, the Group decided to reorganise the PC Business under the Lianzhong Group which will effectively result in the disposal of Beijing Lianzhong Co., Ltd. and the divested businesses and on 15 August 2018, the Group entered into the reorganisation agreement.

For the years ended 31 December 2018 and 2017, results of the PC Business under the Lianzhong Group were presented as a single line item of "discontinued operations" in the consolidated statement of profit or loss and other comprehensive income. The results of discontinued operations are as follows:

	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue		**45,803**	239,267
Cost of revenue		**(16,403)**	(32,262)
Gross profit		**29,400**	207,005
Other income		**854**	752
Selling and marketing expenses		**(12,666)**	(43,335)
Administrative expenses		**(63,550)**	(46,883)
Impairment of assets	*17*	**(127,610)**	—
(Loss)/Profit before income tax		**(173,572)**	117,539
Income tax expense		**—**	(1,663)
(Loss)/Profit for the year from discontinued operations		**(173,572)**	115,876

As at 31 December 2018, the assets and liabilities related to PC Business under the Lianzhong Group were presented as single line items of "disposal group classified as held for sale". The assets and liabilities were as follows:

	As at 31 December 2018
	RMB'000
Current assets	
Trade and other receivables	45,295
Current liabilities	
Trade and other payables	16,558
Net assets included in disposal group classified as held for sale	28,737

17. IMPAIRMENT OF ASSETS

	Continuing operations	**Discontinued operations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Intangible assets	65,781	59,606	125,387
Goodwill	28,170	—	28,170
Interests in associates	57,568	—	57,568
Loans to associates	35,379	—	35,379
Loans to third parties	5,218	—	5,218
Trade and other receivables	38,853	68,004	106,857
Total	230,969	127,610	358,579

As disclosed in note 16, the Group decided to reorganise the PC Business under the Lianzhong Group. The assets in disposal group classified as held for sale have been written down to fair value less costs to sell.

For continuing operations in the PRC, the Group continues to face together with regulatory headwinds in the same businesses of highly challenging conditions. The various assets in PRC in the remaining group have been written down accordingly.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.ourgame.com and www.lianzhong.com. The annual report of the Group for the year ended 31 December 2018 will be published on the aforesaid websites and will be dispatched to the Shareholders on or before 30 April 2019.

By order of the Board
Ourgame International Holdings Limited
Yang Eric Qing
Chairman and Executive Director

Hong Kong, 29 March 2019

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, Ms. Fu Qiang, Mr. Fan Tai and Mr. Chen Xian as non-executive Directors; and Mr. Ge Xuan, Mr. Lu Zhong and Dr. Tyen Kan Hee Anthony as independent non-executive Directors.

* *For identification purpose only*