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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019 AND RESIGNATION OF CO-CHIEF EXECUTIVE OFFICER

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Changes
	2019	2018	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	147,390	194,448	-24.2%
Games revenue	107,527	159,874	-32.7%
Non-Games revenue	39,863	34,574	15.3%
Loss attributable to equity holders of the Company	(83,243)	(408,360)	-80%
Loss per share attributable to equity holders of the Company (expressed in RMB cents per share)			
Basic	<u>(7.74)</u>	<u>(37.62)</u>	
Diluted	<u>(7.74)</u>	<u>(37.62)</u>	

REVENUE BY GEOGRAPHICAL AREAS

	Six months ended 30 June		Changes
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
People's Republic of China ("PRC") ⁽¹⁾	55,286	130,048	-57.5%
Outside the PRC ⁽²⁾	<u>92,104</u>	<u>64,400</u>	43.0%
Total revenue	<u>147,390</u>	<u>194,448</u>	-24.2%

(1) For the purpose of this interim 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 interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019. These interim results have been reviewed and approved by the Company’s audit committee.

The first half of 2019 has seen the stabilization of the Company’s China business and continued growth in its overseas business. Given the continued challenging regulatory environment and market conditions within China, the Company continued to optimize its cost structure across its China card and board games operations and has been selective and focused on developing games that are compliant with regulations and have high potential for positive financial returns. The Company has leveraged its brand and loyal user base and launched a number of “user recall” marketing efforts to reactivate dormant users, which have shown good results. The Company also introduced the “free-to-user, paid-by-advertiser” business model into the Company’s new mobile games that brought in new stream of revenue and broadened user base. While there are still significant room for improvement and advancement, the stabilization of the China card and board games business over the first half of 2019 is reflected in the significantly narrowed loss as compared with the same period last year.

The Company’s overseas business in eSports and WPT continued to grow rapidly, with an increase in revenue of RMB27.7 million or 43% for the six months ended 30 June 2019 as compared with RMB64.4 million for the corresponding period of 2018. In the first half of 2019, WPT continued its growth on tournaments, viewership, sponsorship and geographic presence. In March 2019, WPT set a record by conducting 11 international events in a single calendar month across 4 continents, 5 countries, and 9 cities. Among those events, 3 were televised on FOX Sports Network. WPT continued to attract sponsors, adding well-known brands such as Baccarat as its sponsors. The WPT Television show continued to grow in distribution numbers on a global scale. Traditional television ratings showed a 62% increase in viewership between the first quarter and the second quarter of 2019. In addition, Traditional television distribution coverage is up 30 million households year over year and Over-the-top box users is up by more than 230 million households during the same time span. WPT continued its global expansion by signing a strategic agreement with Grupo Salinas and TV Azteca of Mexico to expand into the Mexican and Latin American markets. Grupo Salinas owns some of the largest banking, media and retail companies in Mexico and South America and has an extensive online and offline network presence. Through its partnership with Grupo Salinas, WPT has launched the TV programmes in local language and its poker content library has attracted a massive Latin American audience. The WPT television show has premiered on TV Azteca since this July and coincided with the launch of the WPT social gaming platform WPTGO at the same time. The show is already garnering a viewership of more than 25 million weekly viewers.

The Company’s eSports business, Allied ESports (“**AES**”), also achieved significant growth in the first half of 2019. AES launched a number of branded tournaments and TV programs in the first half of the year such as Day One, which targets game publishers, and PlayTime, which is hosted by well known eSports streamers and celebrities, which have shown positive results and growth in viewership. The Las Vegas flagship arena continued to be an iconic venue for eSports events and has seen significant

increases in terms of attendance, tournaments and venue usage frequency. Besides AES's own branded tournaments, the arena also hosts third party partner events such as NBA 2K League "THE TURN", NHL Gaming World Championship, BIG3 Draft for CBS Sports Network that not only brought in sales revenue but also expanded and enhanced our brand and user reach. AES's mobile arena truck utilization has also increased as demand has been high for its participation in eSports and other events. Our mobile arena caravan was featured in CES GameSpot Activation, the Super Bowl, TwitchCon EU, DreamHack Dallas and other major events that not only brought in revenue but also expanded our brand and partnership reach. AES jointly developed the Latin American eSports markets by signing a strategic partnership agreement with Grupo Salinas in Mexico, and held an AES branded Nation vs. Nation tournament in Mexico City at which teams representing the USA and Mexico competed. The event had a live television broadcast in Mexico. AES will continue to work with strong local partners to expand its presence.

The growth in both WPT and Allied ESports ("AES") were reflected in the growth of the Company's overseas revenue. While we continued to expand our WPT and AES businesses, significant energy and resources were also devoted to completing the spin-off listing of WPT/AES with Black Ridge Acquisition Corporation ("BRAC"), a company listed on the Nasdaq Stock Exchange ("Nasdaq"). In the first half of 2019, the spin-off listing of WPT/AES received all approvals from the pertinent regulators. The transaction was closed on 9 August 2019 (US time), with BRAC renamed as Allied ESports Entertainment Inc. ("AESE") and commenced trading on the Main Board of Nasdaq under the new stock symbol AESE starting from 12 August 2019. As a result of the completion of the aforesaid transaction, the Company is now the controlling shareholder of AESE with approximately 52% of its issued shares and control of its board of directors, and AESE has become a non wholly-owned subsidiary of the Company.

The spin-off listing of AESE heralds a new page of development for the Company. Going forward, the Company will continue to grow its China domestic businesses through the China subsidiaries while expanding further overseas growth through AESE. The Company will also actively look for growth opportunities through acquisition and asset injections both through AESE and the Company's other subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. Overview

The loss attributable to equity holders of the Company amounted to RMB83.2 million for the six months ended 30 June 2019, as compared with loss attributable to equity holders of the Company of RMB408.4 million for the six months ended 30 June 2018.

2. *Revenue*

For the six months ended 30 June 2019, revenue of the Group amounted to RMB147.4 million, representing a decrease of RMB47.0 million or 24.2% as compared with RMB194.4 million for the corresponding period of 2018. The decrease was mainly because unexpected changes in our China domestic card and board games market environment. The relevant financial information of Nanjing Haoyun Meicheng Electronics Technology Co., Ltd. (南京好運美成電子科技有限公司) (“**Nanjing Haoyun**”) and its subsidiaries from April to June 2019 was not made available to the Company, therefore its financial information for the three months from April to June 2019 was not incorporated in the interim financial statements of the Group.

3. *Cost of Revenue and Gross Profit Margin*

For the six months ended 30 June 2019, cost of revenue of the Group amounted to RMB70.6 million, representing a decrease of RMB50.6 million or 41.8% as compared with RMB121.2 million for the corresponding period of 2018. The resulting gross profit margin increased from 37.7% for the six months ended 30 June 2018 to 52.1% for the six months ended 30 June 2019. The increase was mainly due to cost control during the period.

4. *Other Income*

For the six months ended 30 June 2019, other income of the Group amounted to RMB2.2 million, representing a decrease of RMB2.1 million or 48.8% as compared with RMB4.3 million for the corresponding period of 2018. This was primarily due to the decrease in loan to third parties and interest income received.

5. *Selling and Marketing Expenses*

For the six months ended 30 June 2019, selling and marketing expenses of the Group amounted to RMB26.3 million, representing a decrease of RMB27.5 million or 51.1% as compared with RMB53.8 million for the corresponding period of 2018. The decrease was mainly due to cost control in light of changes in market environment during the period.

6. *Administrative Expenses*

For the six months ended 30 June 2019, administrative expenses of the Group amounted to RMB116.8 million, representing a decrease of RMB59.1 million or 33.6% as compared with RMB175.9 million for the corresponding period of 2018. The decrease was mainly due to cost control in light of changes in market environment during the period.

7. *Research and Development Expenses*

For the six months ended 30 June 2019, research and development expenses of the Group amounted to RMB2.3 million, representing a decrease of RMB26.9 million or 92.1% as compared with RMB29.2 million for the corresponding period of 2018. The decrease was mainly due to higher selectivity and reduction of development efforts on 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*

For the six months ended 30 June 2019, loss in fair value of financial assets at fair value through profit or loss of the Group amounted to RMB8.1 million, as compared with RMB2.6 million for the corresponding period of 2018. The increase was mainly due to unexpected changes in our market environment and our investee companies also suffered from loss and fair value decrease during the period.

9. *Fair Value Changes of Contingent Consideration Payables*

For the six months ended 30 June 2019, there was no gain/loss in fair value of contingent consideration payables, as compared with RMB32.5 million for the corresponding period of 2018, because of the absence of fair value changes of profit guarantee in the acquisition of Nanjing Haoyun.

10. *Impairment of Assets*

For the six months ended 30 June 2019, impairment of assets amounted to RMB12.9 million, as compared with RMB281.3 million for the corresponding period of 2018. In light of changes in market environment during the corresponding period of 2018, the Group had written down substantially all of the carrying values of the assets relating to the PRC card and board games businesses in 2018.

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

The loss attributable to equity holders of the Company amounted to RMB83.2 million for the six months ended 30 June 2019, as compared with loss attributable to equity holders of the Company of RMB408.4 million for the six months ended 30 June 2018. The decrease was mainly due to cost control during the period and a significant decrease in the impairment of assets in the six months ended 30 June 2019 compared to the corresponding period of 2018.

12. *Income Tax Credit*

For the six months ended 30 June 2019, income tax credit of the Group amounted to RMB6.3 million, representing an increase of RMB4.0 million or 175.2% as compared with RMB2.3 million for the corresponding period of 2018.

13. *Liquidity and Source of Funding and Borrowing*

As at 30 June 2019, the Group's total bank balances and cash decreased by 2.1% from RMB162.7 million as at 31 December 2018 to RMB159.3 million as at 30 June 2019. The slight decrease was primarily a result of the cash payments for increase in legal and professional fee during the six months ended 30 June 2019. As at 30 June 2019, the current assets of the Group amounted to RMB435.6 million, including RMB159.3 million in bank balances and cash, other current assets of RMB276.3 million. Current liabilities of the Group amounted to RMB283.4 million, of which RMB45.3 million were trade payables and deferred revenue, other current liabilities of RMB238.1 million. As at 30 June 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 1.54 as compared to 1.76 as at 31 December 2018. 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 as at 30 June 2019 was nil (2018: 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.

14. *Interest in a Subsidiary*

The consolidated interim financial statements of the Group include all available financial information to reflect the Group's current financial performance and position to the shareholders except that of Nanjing Haoyun due to the financial information of Nanjing Haoyun for the three months from April to June 2019 not being made available to the Company by the management of Nanjing Haoyun in a timely manner for the preparation of the consolidated interim financial statements of the Group.

The Board needs more time to work with the management of Nanjing Haoyun, the acquisition of which was completed on 9 February 2018, to obtain access to the relevant financial information. The Company is taking proactive actions to achieve this purpose, including engaging in ongoing negotiations with the management of Nanjing Haoyun and seeking legal advice in order to protect its interests.

The financial performance of the Group for the six months ended 30 June 2019 reflects the impact of the inability to access the financial information of Nanjing Haoyun for the three months from April to June 2019 in a timely manner, and therefore only reflects the contribution from Nanjing Haoyun for the three months from January to March 2019. The Company will provide the updated consolidated financial statements of the Group once the relevant financial information of Nanjing Haoyun is obtained.

15. *Material Investments*

The Group did not have any material investment during the six months ended 30 June 2019.

16. *Material Acquisitions*

The Group did not have any material acquisitions during the six months ended 30 June 2019.

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 30 June 2019, the Group’s financial assets at fair value through profit or loss amounted to RMB84.1 million (31 December 2018: RMB109.1 million).

As at 30 June 2019, the Group’s investments in unlisted equity investments amounted to RMB72.1 million, which included direct equity investments in selected startup companies mainly engaged in games or mind sports related technological research and development and 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 Companies	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)	40,000	20%	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 stages of development, and are mainly focused on product development and launching. For the six months ended 30 June 2019, no dividends have been paid by these invested startup companies. The 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 30 June 2019.

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 six months ended 30 June 2019 are set out below:

	Unlisted equity investments	Unlisted debt investments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January 2019	95,782	13,286	109,068
Disposals	(16,916)	—	(16,916)
Fair value changes	<u>(6,759)</u>	<u>(1,328)</u>	<u>(8,087)</u>
Balance as at 30 June 2019	<u><u>72,107</u></u>	<u><u>11,958</u></u>	<u><u>84,065</u></u>

18. *Material Disposals*

The Group did not have any material disposals of subsidiaries or associated companies during the six months ended 30 June 2019.

19. *Pledge of Assets*

As at 30 June 2019, none of the Group's assets were pledged (31 December 2018: nil).

20. *Contingent Liabilities*

The Group had no material contingent liabilities as at 30 June 2019 (31 December 2018: nil).

21. *Foreign Exchange Exposure*

During the six months ended 30 June 2019, 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 30 June 2019, the Group did not have significant foreign currency exposure from its operations.

22. *Employee's Remuneration and Policy*

As at 30 June 2019, the Group had 148 employees, 52 of which were responsible for games development and operation or general administration in the PRC (including Hong Kong), 42 for eSports business, and 54 for WPT business. The total remuneration expenses (including share-based compensation expense) for the six months ended 30 June 2019 were RMB32.7 million, representing a decrease of 42.3% as compared to the previous year.

23. *Events Occurred Since the End of the Six Months Ended 30 June 2019*

The transaction merger and proposed spin-off were completed on 9 August 2019. As a result, BRAC became a non wholly-owned subsidiary of the Company through Primo Vital Limited and AESWPT Holdco (Allied Esports Media, Inc. upon the redomestication merger and transaction merger, being a direct wholly-owned subsidiary of BRAC and the holding company of certain subsidiaries of BRAC through which BRAC operates the merger businesses) became a wholly-owned subsidiary of BRAC, which has been renamed Allied Esports Entertainment Inc.. Please refer to the announcement of the Company dated 11 August 2019 for more details.

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

Save as disclosed in this announcement, the Group does not have other plans for material investments and capital assets.

25. *Discontinuation of Non-IFRS Measures*

To supplement its financial statements which is presented in accordance with International Financial Reporting Standards (“**IFRS**”), the Group has also used unaudited non-IFRS adjusted financials as an additional financial measure to evaluate our financial performance since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2014. Given that the difference between IFRS and non-IFRS financials is insignificant and will not provide meaningful information to the shareholders of the Company, the Company determines that it will no longer disclose non-IFRS measures.

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").

1. Compliance with the Corporate Governance Code

During the six months ended 30 June 2019, the Company has complied with the applicable 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 the deviations stated below.

Code provision A.2.1 stipulates 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 one executive Director (namely, Mr. Yang), four non-executive Directors and two independent non-executive Directors and therefore has a fairly strong independence element in its composition.

As Mr. Fan Tai resigned as a non-executive Director and a member of the audit committee of the Company (the "Audit Committee") with effect from 26 June 2019, and Mr. Ge Xuan was not re-elected as an independent non-executive Director at the annual general meeting of the Company held on 29 June 2019, the Company was not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the board of directors shall comprise at least three independent non-executive directors, (ii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members and (iii) code provision A.5.1 of the Code in which stipulates that the number of independent non-executive directors shall represent the majority of the nomination committee. Mr. Hu Wen, the non-executive Director and Mr. Lu Zhong, the independent non-executive Director, were appointed as the members of the Audit Committee with effect from 19 August 2019. Following the aforesaid appointments, the Company has complied with Rule 3.21 of the Listing Rules. The Company is endeavoring to identify suitable candidates to fill the vacancies as soon as practicable, with the relevant appointment(s) to be made within three months from 26 June 2019 as required under Rule 3.11 of the Listing Rules.

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.

2. 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**”) 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 strictly complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

3. Audit Committee

The Company has established the Audit Committee in accordance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company’s internal control and financial reporting process and to maintain an appropriate relationship with the Company’s independent auditor. Currently, the Audit Committee comprised three members, namely, Dr. Tyen Kan Hee Anthony (independent non-executive Director), Mr. Hu Wen (non-executive Director) and Mr. Lu Zhong (independent non-executive Director). Dr. Tyen Kan Hee Anthony is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results and interim report of the Group for the six months ended 30 June 2019. 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.

4. Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

5. Material Litigation

As at 30 June 2019, the Group was not involved in any material litigation or arbitration.

6. Interim Dividend

The Board does not declare any interim dividend to the shareholders for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

RESIGNATION OF CO-CHIEF EXECUTIVE OFFICER

As Mr. Ng Kwok Leung Frank (“**Mr. Ng**”) has been appointed as the Chief Executive Officer of AESE, he has tendered his resignation on 30 August 2019 to resign as a Co-Chief Executive Officer of the Company in order to focus on the overseas business of the Group conducted through AESE, with effect from 30 August 2019.

Mr. Ng has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company and the Stock Exchange in relation to his resignation.

The Board would like to take this opportunity to express its sincere gratitude to Mr. Ng for his valuable contribution to the Company during his tenure of office, and has decided to engage Mr. Ng as an advisor to the Company with effect from 30 August 2019.

INTERIM RESULTS

The Board hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2019. The interim results have been reviewed by the Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Revenue	4	147,390	194,448
Cost of revenue		<u>(70,570)</u>	<u>(121,181)</u>
Gross profit		76,820	73,267
Other income	5	2,142	4,336
Selling and marketing expenses		(26,342)	(53,785)
Administrative expenses		(116,777)	(175,911)
Share-based compensation expense		(1,095)	(4,528)
Research and development expenses		(2,294)	(29,186)
Finance costs		(4,714)	—
Share of loss of associates	13	(2,030)	(7,057)
Fair value changes of financial assets at fair value through profit or loss		(8,087)	(2,621)
Fair value changes of contingent consideration payables	18	—	32,537
Impairment of assets	21	<u>(12,907)</u>	<u>(281,340)</u>
Loss before income tax	6	(95,284)	(444,288)
Income tax credit	7	<u>6,271</u>	<u>2,279</u>
Loss for the period		<u>(89,013)</u>	<u>(442,009)</u>
Other comprehensive loss for the period			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		<u>272</u>	<u>2,001</u>
Total comprehensive loss for the period		<u><u>(88,741)</u></u>	<u><u>(440,008)</u></u>

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited) (Restated)
Loss for the period attributable to:			
Equity holders of the Company		(83,243)	(408,360)
Non-controlling interests		<u>(5,770)</u>	<u>(33,649)</u>
		<u>(89,013)</u>	<u>(442,009)</u>
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(82,927)	(406,078)
Non-controlling interests		<u>(5,814)</u>	<u>(33,930)</u>
		<u>(88,741)</u>	<u>(440,008)</u>
Loss per share attributable to equity holders of the Company (expressed in RMB cents per share)			
Basic	9	<u>(7.74)</u>	<u>(37.62)</u>
Diluted	9	<u>(7.74)</u>	<u>(37.62)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	260,404	160,888
Intangible assets	<i>11</i>	304,260	333,556
Goodwill	<i>12</i>	174,170	180,441
Interests in associates	<i>13</i>	22,547	20,586
Loans to third parties	<i>14</i>	14,329	15,110
Financial assets at fair value through profit or loss	<i>16</i>	84,065	109,068
Deferred tax assets		<u>1,839</u>	<u>1,726</u>
		<u>861,614</u>	<u>821,375</u>
Current assets			
Inventories		1,105	733
Trade and other receivables	<i>15</i>	240,575	174,275
Loans to associates		1,792	1,756
Loans to third parties	<i>14</i>	32,893	56,974
Tax recoverable		—	3,348
Bank balances and cash		<u>159,278</u>	<u>162,674</u>
		<u>435,643</u>	<u>399,760</u>
Assets included in disposal group classified as held for sale		<u>—</u>	<u>45,295</u>
		<u>435,643</u>	<u>445,055</u>

		As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	17	104,989	95,547
Lease liabilities		17,213	—
Deferred revenue		20,664	26,419
Contingent consideration payables	18	40,948	40,948
Convertible notes	19	97,822	70,323
Income tax liabilities		<u>1,734</u>	<u>3,242</u>
		<u>283,370</u>	<u>236,479</u>
Liabilities included in disposal group classified as held for sale		<u>—</u>	<u>16,558</u>
		<u>283,370</u>	<u>253,037</u>
Net current assets		<u>152,273</u>	<u>192,018</u>
Total assets less current liabilities		<u>1,013,887</u>	<u>1,013,393</u>
Non-current liabilities			
Lease liabilities		101,777	—
Deferred tax liabilities		<u>20,396</u>	<u>33,419</u>
		<u>122,173</u>	<u>33,419</u>
Net assets		<u>891,714</u>	<u>979,974</u>
EQUITY			
Share capital		340	340
Reserves		<u>880,596</u>	<u>963,042</u>
Equity attributable to equity holders of the Company		<u>880,936</u>	963,382
Non-controlling interests		<u>10,778</u>	<u>16,592</u>
Total equity		<u>891,714</u>	<u>979,974</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Ourgame International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 December 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2014 (the “**Listing**”).

The Company is an investment holding company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the development and operation of online card and board games, organising and broadcasting online to offline mind-sports events, tournaments, TV shows and contents (collectively, the “**Online Games Business**”) primarily in the People’s Republic of China (the “**PRC**”) and the United States (the “**US**”). The Group is expanding the eSports, sports e-commerce business and other non-card-and-board games new internet businesses (collectively, the “**eSports Business**”) globally.

These unaudited condensed consolidated interim financial report (the “**Interim Financial Report**”) is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”.

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 (the “**Reorganisation**”) and on 15 August 2018, the Group entered into the reorganisation agreement. For the year ended 31 December 2018 and the six months ended 30 June 2018, 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.

On 1 April 2019, the Group announced to terminate the Reorganisation given the performance of the divested businesses has shown continued stabilisation. The results of the PC Business previously presented as “discontinued operations” for the six months ended 30 June 2018 has been reclassified and included in income from continuing operations, and re-presented for the six months ended 30 June 2018.

Except for above, the accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and amended International Financial Reporting Standards (“**IFRSs**”) as disclosed in Note 3.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2018.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and amended IFRSs effective as of 1 January 2019. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
IFRIC-Int 23	Uncertainty over Income Tax Treatments

Other than the impact of the adoption of IFRS 16 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 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases” along with three Interpretations (IFRIC-Int 4 “Determining whether an Arrangement contains a Lease”, SIC Int-15 “Operating Leases-Incentives” and SIC Int-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC-Int 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 8.65%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<i>RMB'000</i>
Total operating lease commitments disclosed at 31 December 2018	104,066
Recognition exemptions:	
• Leases with remaining lease term of less than 12 months	<u>(61,464)</u>
Operating leases liabilities before discounting	42,602
Discounting using incremental borrowing rate as at 1 January 2019	<u>(5,088)</u>
Operating leases liabilities	37,514
Extension option reasonably certain to be exercised	<u>39,850</u>
Total lease liabilities recognised under IFRS 16 at 1 January 2019	<u><u>77,364</u></u>
Classified as:	
Current lease liabilities	14,737
Non-current lease liabilities	<u>62,627</u>
	<u><u>77,364</u></u>

The following table summarises the impact of transition to IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	<i>RMB'000</i>
Increase in right-of-use assets presented in property plant and equipment	77,364
Increase in lease liabilities	<u>77,364</u>

The condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the annual financial statements for the year ended 31 December 2018 except for the effects of applying IFRS 16.

Leases

(a) *The Group as a lessee*

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property. The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's principal activities are disclosed in Note 1 to these Interim Financial Statements. The Group's revenue from external customers recognised during the period is as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited) (Restated)
Online games business — Lianzhong Group	55,286	130,048
Online games business — Peerless Group	67,081	50,172
eSports business	25,023	14,228
	<u>147,390</u>	<u>194,448</u>

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Other revenue		
Bank interest income	104	687
Interest income from loans to third parties	1,070	2,710
Interest income from loans to associates	36	149
Interest income from loan to a director	50	—
Gain on disposal of financial assets at fair value through profit or loss	<u>127</u>	<u>—</u>
	<u>1,387</u>	<u>3,546</u>
Other net income		
Subsidy income from government (<i>note</i>)	568	358
Sundry income	<u>187</u>	<u>432</u>
	<u>755</u>	<u>790</u>
	<u><u>2,142</u></u>	<u><u>4,336</u></u>

Note: Subsidy income mainly relates to cash subsidies in respect of operating and development activities from government which are either unconditional grants or grants with conditions having been satisfied.

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Finance costs		
Interest charges on 2019 Convertible Notes (<i>note 19</i>)	454	—
Interest charges on 2018 Convertible Notes (<i>note 19</i>)	4,071	—
Finance charges on lease liabilities	189	—
	<u>4,714</u>	<u>—</u>
Employee benefit expenses		
Salaries, bonus and allowances	28,520	42,990
Retirement benefit scheme contributions	2,464	6,340
Severance payments	612	2,793
Share-based compensation expense	1,095	4,528
	<u>32,691</u>	<u>56,651</u>
Other items		
Lease charges:		
— Land and buildings held under operating leases	—	10,413
— Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	301	—
Depreciation of property, plant and equipment		
— Owned assets	17,219	22,543
— Right-of-use assets	8,216	—
Amortisation of intangible assets	69,628	21,552
Loss on disposal of subsidiaries	2,531	—
Loss on disposal of an associate	342	3,300
Loss on disposal of property, plant and equipment	59	—
Impairment of assets (<i>note 21</i>)	12,907	281,340

7. INCOME TAX CREDIT

Six months ended 30 June

2019 2018

RMB'000 RMB'000

(Unaudited) (Unaudited)

(Restated)

Current tax

PRC enterprise income tax

— Current period

1,104 (1,709)

Deferred tax

(7,375) (570)

Income tax credit

(6,271) (2,279)

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

9. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the six months ended 30 June is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Six months ended 30 June

2019 2018

(Unaudited) (Unaudited)

Loss for the period attributable to equity holders of the Company
(in RMB'000)

(83,243) (408,360)

Weighted average number of ordinary shares in issue during the period

1,075,792,791 1,085,350,581

Basic loss per share (in RMB cents per share)

(7.74) (37.62)

(b) Diluted loss per share

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

For the six months ended 30 June 2019 and 2018, 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 contingent consideration shares. Their effects during the periods were anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of RMB6,116,000 (six months ended 30 June 2018: RMB124,352,000).

During the six months ended 30 June 2019, the Group acquired property, plant and equipment through acquisition of subsidiaries at a cost of RMB11,000 (six months ended 30 June 2018: RMB18,244,000).

During the six months ended 30 June 2019, the Group entered into several new lease agreements for use of buildings with lease terms ranging from 24 to 167 months. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised right-of-use assets and lease liabilities amounting to RMB49,748,000 and RMB49,748,000 respectively.

As at 30 June 2019, the carrying amounts of the Group's right-of-use assets in relation to land and buildings are RMB118,801,000.

11. INTANGIBLE ASSETS

During the six months ended 30 June 2019, additions to intangible assets by acquisition and capitalisation in respect of development costs are amounted to RMB42,452,000 (six months ended 30 June 2018: RMB30,222,000) and RMB1,179,000 (six months ended 30 June 2018: RMB7,265,000) respectively.

During the six months ended 30 June 2019, the Group acquired intangible assets through acquisition of subsidiaries at a cost of RMBnil (six months ended 30 June 2018: RMB7,057,000).

During the six months ended 30 June 2019, an impairment loss of RMB1,035,000 (note 21) was recognised in "Impairment of assets" (six months ended 30 June 2018: RMB125,388,000).

12. GOODWILL

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
As at 1 January (Audited)		180,441	129,443
Acquisition of a subsidiary		—	228,041
Provision for impairment	21	(6,238)	(34,409)
Disposal of subsidiaries		(200)	—
Net exchange differences		167	663
As at 30 June (Unaudited)		174,170	323,738

During the six months ended 30 June 2019, an impairment loss of RMB6,238,000 (note 21) was recognised in "Impairment of assets" (six months ended 30 June 2018: RMB34,409,000).

13. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2019, the Group made additional investments in associates of RMB8,405,000 (six months ended 30 June 2018: Nil).

During the six months ended 30 June 2019, the Group disposed of investments in associates of RMB342,000 (six months ended 30 June 2018: RMB6,300,000).

The share of loss of associates by the Group for the six months ended 30 June 2019 amounted to RMB2,030,000 (six months ended 30 June 2018: RMB7,057,000).

During the six months ended 30 June 2019, an impairment loss of RMB4,071,000 (note 21) was recognised in “Impairment of assets” (six months ended 30 June 2018: RMB53,625,000).

14. LOANS TO THIRD PARTIES

	<i>Note</i>	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current portion			
Loans		14,943	14,943
Interest receivables		262	167
		<u>14,943</u>	<u>15,110</u>
	<i>(a)</i>	15,205	15,110
Less: ECL allowance/loss allowance		(876)	—
		<u>14,329</u>	<u>15,110</u>
Current portion			
Loans		34,835	59,398
Interest receivables		3,784	2,794
		<u>38,619</u>	<u>62,192</u>
Less: ECL allowance/loss allowance	<i>(b)</i>	(5,726)	(5,218)
		<u>32,893</u>	<u>56,974</u>
	<i>(c)</i>	47,222	72,084

(a) As at 30 June 2019, long-terms loans amounting to RMB14,943,000 were secured by unlisted equity interest in companies of the debtors incorporated in the PRC, of which RMB4,000,000 were with interest rate at 4.75% per annum and RMB10,943,000 were interest-free. They were repayable in 2023.

As at 31 December 2018, long-terms loans amounting to RMB14,943,000 were secured by unlisted equity interest in companies of the debtors incorporated in the PRC, of which RMB4,000,000 were with interest rate at 4.75% per annum and RMB10,943,000 were interest-free. They were repayable in 2021.

- (b) As at 30 June 2019, the loans to third parties of RMB34,835,000 became due within next 12 months and were included in current portion. The amount comprised of:
- (i) RMB25,835,000 loan secured by a personal guarantee of Ms. Fu Qiang, a non-executive director of the Company, with interest rate of 5.5% per annum;
 - (ii) RMB5,000,000 loan secured by unlisted equity interest in company of the debtor incorporated in the PRC with interest rate of 4.35% per annum;
 - (iii) RMB3,000,000 loan secured by unlisted equity interest in company of the debtor incorporated in the PRC with interest rate of 12% per annum; and
 - (iv) RMB1,000,000 unsecured loan being interest-free.

As at 31 December 2018, the loans to third parties of RMB59,398,000 became due within next 12 months and were included in current portion. The amount comprised of:

- (i) RMB49,475,000 loan secured by a personal guarantee of Ms. Fu Qiang, a non-executive director of the Company, with interest rate of 5.5% per annum;
- (ii) RMB5,000,000 loan secured by unlisted equity interest in company of the debtor incorporated in the PRC with interest rate of 4.35% per annum;
- (iii) RMB3,000,000 loan secured by unlisted equity interest in company of the debtor incorporated in the PRC with interest rate of 12% per annum; and
- (iv) RMB1,923,000 unsecured loan being interest-free.

The carrying amount of the amounts due approximate their fair values.

- (c) During the six months ended 30 June 2019, an impairment loss of RMB1,384,000 (note 21) was recognised in “Impairment of assets” (six months ended 30 June 2018: RMB5,218,000).

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables		
From third parties	(a) 171,208	75,424
Less: ECL allowance/loss allowance	<u>(107,433)</u>	<u>(44,041)</u>
	<u>63,775</u>	<u>31,383</u>
Other receivables		
Deposits, prepayments and other receivables	150,371	104,310
Advances to employees	18,422	21,175
Loan to a director of the Company	4,431	4,381
Amount due from associates	26,732	26,683
Compensation receivable for profit guarantee of Beijing Zhangzhong Qiji	<u>18,426</u>	<u>18,426</u>
	218,382	174,975
Less: ECL allowance/loss allowance	<u>(41,582)</u>	<u>(32,083)</u>
	<u>176,800</u>	<u>142,892</u>
	<u>240,575</u>	<u>174,275</u>

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) **Trade receivables**

Trade receivables were arising from the operation of online card and board games. The credit terms of trade receivables granted to distribution channels and payment vendors are usually 30 to 90 days.

The movement in the loss allowance provision is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At 1 January (Audited)	92,413	17,477
ECL allowance recognised	<u>15,020</u>	<u>10,363</u>
At 30 June (Unaudited)	<u>107,433</u>	<u>27,840</u>

The Group applies simplified approach to provide for expected credit losses prescribed in IFRS 9 as disclosed in Note 3. Provision for or reversal of impaired receivables have been included in “Impairment of assets” in the consolidated statement of profit or loss and other comprehensive income.

The following is an ageing analysis of trade receivables before loss allowance provision presented based on recognition date at the end of the reporting period:

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
0–30 days	17,952	9,026
31–60 days	5,942	2,873
61–90 days	1,768	417
91–180 days	1,723	3,548
181–365 days	2,055	17,156
Over 1 year	<u>141,768</u>	<u>42,404</u>
	<u>171,208</u>	<u>75,424</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Included in non-current assets		
Unlisted equity investments	72,107	95,782
Unlisted debt investments	<u>11,958</u>	<u>13,286</u>
	<u>84,065</u>	<u>109,068</u>

17. TRADE AND OTHER PAYABLES

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Trade payables		
To third parties	24,593	14,159
To associates	<u>2</u>	<u>5</u>
	<u>24,595</u>	<u>14,164</u>
Other payables		
Other payables and accrued charges	20,024	24,617
Amount due to an associate	843	840
Staff costs and welfare accruals	6,537	7,007
Accrued interests on convertible notes	5,899	1,828
Consideration payable for profit guarantee in relation to the acquisition of Nanjing Haoyun	46,202	46,202
Consideration payable for profit guarantee and further acquisition option in relation to the disposal of Tianjin Zhongqi Weiye	<u>889</u>	<u>889</u>
	<u>80,394</u>	<u>81,383</u>
	<u>104,989</u>	<u>95,547</u>

Trade payables primarily related to the purchase of services for server custody, outsourcing game development and the revenue sharing of licensed and third-party operated PC games and which is payable to cooperated game developers according to respective cooperation agreements.

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

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
0–30 days	11,310	10,470
31–60 days	109	510
61–90 days	2,278	579
91–180 days	8,120	323
181–365 days	1,552	1,608
Over 1 year	1,224	669
	<u>24,593</u>	<u>14,159</u>

18. CONTINGENT CONSIDERATION PAYABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
As at 1 January (Audited)	40,948	3,328
Fair value of contingent consideration payables arising from acquisition of a subsidiary	—	113,150
Gain on fair value change recognised for the period	—	(32,537)
As at 30 June (Unaudited)	<u>40,948</u>	<u>83,941</u>

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Analysed as:		
— Current liabilities	40,948	40,948
— Non-current liabilities	—	—
	<u>40,948</u>	<u>40,948</u>

19. CONVERTIBLE NOTES

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
2018 Convertible Notes	70,323	70,323
2019 Convertible Notes	<u>27,499</u>	<u>—</u>
	<u>97,822</u>	<u>70,323</u>

Convertible Notes issued in 2019

On 17 May 2019, the Company issued convertible notes with an aggregate principal amount of US\$4,000,000 (equivalent to approximately HK\$31,000,000) (the “**2019 Convertible Notes**”). The 2019 Convertible Notes carry interest at 12% per annum, payable annually in arrears. The 2019 Convertible Notes will mature in 12 months and the Company shall redeem at 100% of the principal amount on the maturity date.

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.

20. COMMITMENTS

(a) Capital commitments

At the reporting date, the Group had the following capital commitments:

	As at 30 June 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
Contracted but not provided for:		
Expenditure in respect of investments in subsidiaries	—	1,500
Expenditure in respect of investments in associates	2,118	2,118
Expenditure in respect of investments in financial assets at fair value through profit or loss	<u>1,800</u>	<u>1,800</u>
	<u>3,918</u>	<u>5,418</u>

(b) Operating lease commitments

The Group leases its servers, lines, office and various residential properties under non-cancellable operating lease agreements. The leases have varying lease terms and renewal rights.

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within one year	164	26,522
In the second to fifth year inclusive	—	69,857
After fifth year	—	7,687
	164	104,066

As at 30 June 2019, the Group leases office premises and various residential properties with lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under IFRS 16.

21. IMPAIRMENT OF ASSETS

	Six months ended 30 June	
	2019	2018
	Total	Total
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Intangible assets	1,035	125,388
Goodwill	6,238	34,409
Interests in associates	4,071	53,625
Loan to an associate	—	6,237
Loans to third parties	1,384	5,218
Trade and other receivables	179	56,463
Total	12,907	281,340

This interim results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.lianzhong.com. The interim report of the Group for the six months ended 30 June 2019 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the shareholders in due course.

By Order of the Board
Ourgame International Holdings Limited
Yang Eric Qing
Chairman and Executive Officer

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. Yang Eric Qing as executive Director; Mr. Liu Jiang, Ms. Fu Qiang, Mr. Chen Xian and Mr. Hu Wen as non-executive Directors; and Mr. Lu Zhong and Dr. Tyen Kan Hee Anthony as independent non-executive Directors.

* *For identification purpose only*