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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 2020

FINANCIAL HIGHLIGHTS	Six months ended 30 June		Changes
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	124,288	147,390	-15.7%
Loss attributable to equity holders of the Company	(70,541)	(83,243)	(-15.3%)
Loss per share attributable to equity holders of the Company (expressed in RMB cents per share)			
Basic	<u>(6.61)</u>	<u>(7.74)</u>	
Diluted	<u>(6.61)</u>	<u>(7.74)</u>	

REVENUE BY GEOGRAPHICAL AREAS

	Six months ended 30 June		Changes
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
The People's Republic of China (the "PRC") ⁽¹⁾	49,552	55,286	-10.4%
Outside the PRC ⁽²⁾	<u>74,736</u>	<u>92,104</u>	-18.9%
Total revenue	<u>124,288</u>	<u>147,390</u>	-15.7%

(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 Allied Esports Entertainment, Inc. ("AESE"), an indirect non-wholly owned subsidiary of the Company, which is separately listed on the Nasdaq Stock Exchange ("NASDAQ") and operates the World Poker Tour ("WPT") and eSports business.

BUSINESS REVIEW

The board (the “**Board**”) of directors (the “**Directors**”) of Ourgame International Holdings Limited (the “**Company**”) hereby announces the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020. These interim results have been reviewed and approved by the Company’s audit committee (the “**Audit Committee**”).

In the first half of 2020, we continued to see the stabilization and rebuilding of the Company’s China business and continued growth in its overseas business. Given the COVID-19 pandemic, continued challenging regulatory environment and market conditions within China, the Company continued to optimize its cost structure across its China online games operations, selectively shifting away from less profitable games and distribution channels, and re-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 to launch a number of “user recall” marketing efforts to reactivate dormant users, together with redevelopment of core classic games with new features, 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 a new stream of revenue and broadened our user base. Besides the traditional app based games, the Company has expanded into HTML5 and “small program” type of games which enabled us to reach new distribution channels and partners. While there is still significant room for improvement and advancement, we believe that through the efforts in 2020, we have achieved a rebase-lining of the China online games businesses and laid the foundation to explore new avenue for growth going forward.

In the first half of 2020, AESE organized over 70 events, including proprietary online events and third-party productions, across its North American and European business units. AESE pivoted its in-arena offerings to online events and production services in mid-March as a response to the COVID-19 pandemic. This strategy grew the user base at a time when the flagship HyperX Esports Arena Las Vegas at the Luxor Hotel & Casino was temporarily closed. Regulations in the State of Nevada of the United States allowed the re-opening of casinos in June 2020 and in the same month, the Luxor Hotel and HyperX Esports Arena opened its doors to customers, with restrictions. AESE also launched multiple programming offerings, both proprietary and with partners, in the first half of 2020, including the production of HyperX Game Spotlight, a deep dive episodic program focused on game developers telling the stories behind the inspiration and evolution of their games, and Esportstudio, which brings traditional sports athletes together to compete in the video game version of their sport. In addition to live streaming on Twitch, Esportstudio also aired live on Germany’s platform. AESE also launched the 12th edition of its Legend Series event IP featuring VALORANT, the most popular new game from Riot Games.

During the first half of 2020, WPT partnered with Budweiser and World Central Kitchen to produce the King’s Celebrity Poker Challenge on ClubWPT, which was aired on FS1 and OTT platforms with an audience base that reached more than one million nationwide viewers. With many live events cancelled, ClubWPT provides an opportunity for WPT to pivot online by leveraging the Company’s assets, including having featured WPT talent live stream their plays on ClubWPT in a regular series of online

tournaments on Twitch, which has promoted the ClubWPT product in front of thousands of weekly viewers. In addition, WPT Seasons 12 and 13 were distributed in over 70% of the syndication marketplace for linear TV in the United States. With such distribution and user reach, WPT may be in a position to sell national ad buys in 2021, potentially increasing future ad sales revenues. Revenues derived from YouTube and Twitch have also increased due to live streaming initiatives with airing WPT's content library.

Going forward, the Company will continue to grow its China domestic businesses through its China subsidiaries while further expanding the growth overseas through AESE. The Company will also actively look for growth opportunities by acquisition and asset injections through both 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 RMB70.5 million for the six months ended 30 June 2020, as compared with the loss attributable to equity holders of the Company of RMB83.2 million for the six months ended 30 June 2019.

2. *Revenue*

For the six months ended 30 June 2020, revenue of the Group amounted to RMB124.3 million, representing a decrease of RMB23.1 million or 15.7% as compared with RMB147.4 million for the corresponding period of 2019. The decrease was mainly due to decrease in in-person revenues of AESE, which consist of ticket, merchandising, food and beverage and sponsorship revenue. In-person revenues were decreased as a result of government mandated closures of our facilities in the United States, postponed events, and social distancing measures resulting from the COVID-19 pandemic. In addition, revenue was decreased due to rescission of a share transfer agreement concerning the equity interest of Nanjing Haoyun Meicheng Electronics Technology Co., Ltd.* (南京好運美成電子科技有限公司) (“**Nanjing Haoyun**”) in December 2019 (the “**Nanjing Haoyun Rescission**”).

3. *Cost of Revenue and Gross Profit Margin*

For the six months ended 30 June 2020, cost of revenue of the Group amounted to RMB71.2 million, representing an increase of RMB0.6 million or 0.8% as compared with RMB70.6 million for the corresponding period of 2019. The gross profit margin decreased from 52.1% for the six months ended 30 June 2019 to 42.7% for the six months ended 30 June 2020. The decrease in gross profit margin was mainly due to the Nanjing Haoyun Rescission.

4. *Other Income*

For the six months ended 30 June 2020, other income of the Group amounted to RMB1.6 million, representing a decrease of RMB0.5 million or 23.8% as compared with RMB2.1 million for the corresponding period of 2019. This was primarily due to the Nanjing Haoyun Rescission.

5. *Selling and Marketing Expenses*

For the six months ended 30 June 2020, selling and marketing expenses of the Group amounted to RMB7.9 million, representing a decrease of RMB18.4 million or 70.0% as compared with RMB26.3 million for the corresponding period of 2019. The decrease was mainly due to decrease in number of events held in the United States during 2020 as a result of the COVID-19 pandemic.

6. *Administrative Expenses*

For the six months ended 30 June 2020, administrative expenses of the Group amounted to RMB138.7 million, representing an increase of RMB24.8 million or 21.8% as compared with RMB113.9 million for the corresponding period of 2019. The increase was mainly due to the loss arising from the return of cash held in escrow account to Simon Equity Development, LLC (“Simon”) as per the investment agreements signed with Simon, but did not require Simon to return AESE common stock that it received in exchange for its investment. In addition, the increase in administrative expenses was also due to financing costs arising from issuance of new convertible notes in 2020.

7. *Research and Development Expenses*

For the six months ended 30 June 2020, research and development expenses of the Group amounted to RMB0.1 million, representing a decrease of RMB2.2 million or 95.7% as compared with RMB2.3 million for the corresponding period of 2019. The decrease was due to decrease in number of events during 2020 as a result of the COVID-19 pandemic.

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

For the six months ended 30 June 2020, loss in fair value of financial assets at fair value through profit or loss of the Group amounted to RMB8.2 million, as compared with RMB8.1 million for the corresponding period of 2019. The loss in fair value of financial assets at fair value through profit or loss for the period mainly represented the fair value loss of investment in Esports Arena, LLC during 2020.

9. *Impairment of Assets*

For the six months ended 30 June 2020, impairment of assets amounted to RMB1.3 million, as compared with RMB12.9 million for the corresponding period of 2019. In light of changes in market environment during the corresponding period of 2019, the Group had written down substantially all of the carrying values of the assets relating to the PRC card and board games businesses in 2019.

10. *Loss on redemption/conversion of convertible notes*

For the six months ended 30 June 2020, loss on redemption/conversion of convertible notes amounted to RMB36.9 million (2019: nil). The increase was mainly due to the value of common stock issued upon conversion in excess of the common stock issuable under the original terms as a result from the amendments of conversion prices of convertible notes of AESE signed in 2020.

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

The loss attributable to equity holders of the Company amounted to RMB70.5 million for the six months ended 30 June 2020, as compared with loss attributable to equity holders of the Company of RMB83.2 million for the six months ended 30 June 2019. The decrease was mainly due to the unexpected financial performance of AESE resulting from the COVID-19 pandemic, offsetting by the effect of loss decrease in the PRC, which was due to cost control in light of changes in the market environment.

12. *Income Tax (Expense)/Credit*

For the six months ended 30 June 2020, income tax expenses of the Group amounted to RMB0.1 million, as compared with income tax credit of RMB6.3 million for the corresponding period of 2019.

13. *Liquidity and Source of Funding and Borrowing*

As at 30 June 2020, the Group's total bank balances and cash increased by 2.4% from RMB185.8 million as at 31 December 2019 to RMB190.3 million as at 30 June 2020. The increase was primarily a result of the cash proceeds from financing raised in AESE during the six months ended 30 June 2020. As at 30 June 2020, the current assets of the Group amounted to RMB269.4 million, of which RMB190.3 million were bank balances and cash and RMB79.1 million were other current assets. Current liabilities of the Group amounted to RMB213.5 million, of which RMB50.7 million were trade payables and deferred revenue, RMB162.8 million were other current liabilities. As at 30 June 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 1.26 as compared to 1.14 as at 31 December 2019. 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 2020 was nil (2019: nil). The Group currently intends to finance future expansion, investments and business operations primarily with internal resources, but may further explore alternative sources of finance in appropriate circumstances.

14. *Material Investments*

Save as disclosed in this announcement, the Group did not have any material investments during the six months ended 30 June 2020.

15. Material Acquisitions

Save as disclosed in this announcement, the Group did not have any material acquisitions during the six months ended 30 June 2020.

16. 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, strategic and operational synergies, and also leveraging on external financial resources for expertise and scale. As at 30 June 2020, the Group's financial assets at fair value through profit or loss amounted to RMB55.5 million (31 December 2019: RMB63.4 million).

As at 30 June 2020, the Group's investments in unlisted equity investments amounted to RMB55.5 million, which mainly 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 (the "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	Percentage of Shareholding	Principal Business
Beijing Yilian Investment Centre (L.P.) 北京億聯投資中心(有限合夥)	RMB5,000,000	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)	RMB20,000,000	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)	RMB23,000,000	22.77%	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)	RMB20,000,000	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 2020, 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 at 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 2020.

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 2020 are set out below:

	Unlisted equity investments <i>RMB'000</i>
Balance as at 1 January 2020	63,414
Fair value changes	(8,158)
Exchange difference	64
Addition	<u>150</u>
Balance as at 30 June 2020	<u><u>55,470</u></u>

17. Material Disposals

Save as disclosed in this announcement, the Group did not have any material disposals of subsidiaries or associated companies during the six months ended 30 June 2020.

18. Pledge of Assets

As at 30 June 2020, the convertible notes issued in 2020 are secured by all assets of AESE. Pursuant to the supplemental agreement to the convertible note purchase agreement for the subscription of the convertible notes issued in 2019, the convertible notes issued in 2019 were secured by all assets of AESE.

19. *Contingent Liabilities*

The Group had no material contingent liabilities as at 30 June 2020 (31 December 2019: nil).

20. *Foreign Exchange Exposure*

During the six months ended 30 June 2020, the Group mainly operated in the PRC and in the United States, 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 2020, the Group did not have significant foreign currency exposure from its operations.

21. *Employees’ Remuneration and Policy*

As at 30 June 2020, the Group had 106 employees, 26 of which were responsible for games development and operation or general administration in the PRC (including Hong Kong), and 80 of which are responsible for the operation of AESE. The total remuneration expenses (including share-based compensation expense) for the six months ended 30 June 2020 were RMB41.2 million, representing an increase of 26.0% as compared to the corresponding period of 2019.

22. *Events Occurred Since the End of the Six Months Ended 30 June 2020*

Save as disclosed in this announcement, the Group does not have any material events occurred since the end of the six months ended 30 June 2020.

23. *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.

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 2020, 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. During the period from 1 January 2020 to 30 June 2020, Mr. Yang Eric Qing ("Mr. Yang") was the Chairman and Chief Executive Officer of the Company. Upon the resignation of Mr. Yang on 30 June 2020, Mr. Li Yangyang ("Mr. Li") was appointed as the Chairman and acting Chief Executive Officer of the Company. The Board has commenced a process for identifying new Chief Executive Officer of the Company. Mr. Li 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 acting Chief Executive Officer in Mr. Li 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. Li), 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.

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 2020.

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, Mr. Lu Jingsheng (independent non-executive Director), Mr. Hu Wen (non-executive Director) and Mr. Ma Shaohua (independent non-executive Director). Mr. Lu Jingsheng 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 2020. 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

Issue of Shares pursuant to Completion of the Share Transfer Agreement, the Rescission of the Share Transfer Agreement and Shares Cancellation

On 16 January 2018, the Company and Tianjin Shengyou Shidai Technology Development Co., Ltd.* (天津盛遊時代科技發展有限公司) ("**Tianjin Shengyou Shidai**") entered into a share transfer agreement (the "**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 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.

On 23 December 2019, the Company received a binding arbitral award issued by Nanjing Arbitration Commission that the arbitration panel has determined that the Share Transfer Agreement should be rescinded and the respective parties returned to their respective positions prior to the entering into of the Share Transfer Agreement. As a result of the rescission of the Share Transfer Agreement, ownership of the equity interest in Nanjing Haoyun was reverted to the Nanjing Seller, the 15,555,556 consideration shares issued to the Nanjing Seller were returned to the Company for cancellation, and the sum of RMB60,400,000 in cash, being the first instalment of the cash consideration, was returned to the Company by the Nanjing Seller. On 8 January 2020, the 15,555,556 consideration shares were returned to and cancelled by the Company.

Further details of the Nanjing Acquisition and the rescission of the Share Transfer Agreement are set out in the Company's announcements dated 16 January 2018, 30 January 2018, 9 February 2018, 23 December 2019 and 8 January 2020, respectively.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

5. Material Litigation

As at 30 June 2020, the Group was not involved in any material litigation or arbitration.

6. Interim Dividend

The Board does not declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

INTERIM RESULTS

The Board hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2020. 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 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	124,288	147,390
Cost of revenue		<u>(71,234)</u>	<u>(70,570)</u>
Gross profit		53,054	76,820
Other income	5	1,618	2,142
Selling and marketing expenses		(7,858)	(26,342)
Administrative expenses		(138,698)	(113,904)
Share-based compensation expense		(5,110)	(1,095)
Research and development expenses		(87)	(2,294)
Finance costs		(13,098)	(4,714)
Share of loss of associates		—	(2,030)
Fair value changes of financial assets at fair value through profit or loss		(8,158)	(8,087)
Loss on redemption/conversion of convertible notes		(36,903)	—
Loss on disposal of associates		(919)	(342)
Gain/(loss) on disposal of subsidiaries		937	(2,531)
Impairment of assets	19	<u>(1,305)</u>	<u>(12,907)</u>
Loss before income tax	6	(156,527)	(95,284)
Income tax (expense)/credit	7	<u>(138)</u>	<u>6,271</u>
Loss for the period		<u>(156,665)</u>	<u>(89,013)</u>
Other comprehensive loss for the period			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		<u>(19,803)</u>	<u>272</u>
Total comprehensive loss for the period		<u><u>(176,468)</u></u>	<u><u>(88,741)</u></u>

		Six months ended 30 June	
		2020	2019
<i>Notes</i>		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
	Equity holders of the Company	(70,541)	(83,243)
	Non-controlling interests	<u>(86,124)</u>	<u>(5,770)</u>
		<u>(156,665)</u>	<u>(89,013)</u>
Total comprehensive loss for the period attributable to:			
	Equity holders of the Company	(78,916)	(82,927)
	Non-controlling interests	<u>(97,552)</u>	<u>(5,814)</u>
		<u>(176,468)</u>	<u>(88,741)</u>
Loss per share attributable to equity holders of the Company			
(expressed in RMB cents per share)			
	Basic	9 <u>(6.61)</u>	<u>(7.74)</u>
	Diluted	9 <u>(6.61)</u>	<u>(7.74)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	132,515	145,260
Right-of use assets		83,932	89,732
Intangible assets	<i>11</i>	276,371	281,455
Goodwill	<i>12</i>	102,749	101,249
Interests in associates		—	437
Loans to third parties	<i>13</i>	—	6,443
Financial assets at fair value through profit or loss	<i>15</i>	55,470	63,414
Non-current prepayments		35,398	24,417
		686,435	712,407
Current assets			
Inventories		504	504
Trade and other receivables	<i>14</i>	35,149	50,512
Loans to third parties	<i>13</i>	7,928	4,068
Tax recoverable		115	—
Restricted bank balances		35,398	25,463
Bank balances and cash		190,344	185,848
		269,438	266,395

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	16	95,043	87,453
Lease liabilities		8,318	7,674
Deferred revenue		40,344	40,741
Convertible notes	17	63,716	96,506
Loan payables		4,686	—
Income tax liabilities		<u>1,354</u>	<u>1,264</u>
		<u>213,461</u>	<u>233,638</u>
Net current assets		<u>55,977</u>	<u>32,757</u>
Total assets less current liabilities		<u>742,412</u>	<u>745,164</u>
Non-current liabilities			
Lease liabilities		82,685	85,530
Convertible notes	17	14,121	—
Loan payables		16,649	—
Deferred tax liabilities		<u>2,048</u>	<u>2,415</u>
		<u>115,503</u>	<u>87,945</u>
Net assets		<u>626,909</u>	<u>657,219</u>
EQUITY			
Share capital		336	340
Reserves		<u>351,824</u>	<u>418,371</u>
Equity attributable to equity holders of the Company		352,160	418,711
Non-controlling interests		<u>274,749</u>	<u>238,508</u>
Total equity		<u>626,909</u>	<u>657,219</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 statements (the “**Interim Financial Statements**”) is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Statements 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 2019, the Group has reorganized the WPT business and eSports business into Allied Esports Entertainment, Inc. (“**AESE**”) for separate listing in NASDAQ of the United States (the “**Spin-off**”).

Except for above, the accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2019 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 2019.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Statements 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 Statements, 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 2019.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new and amended IFRSs effective as of 1 January 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

The Group has elected to early adopt the following amendment of IFRSs for the condensed consolidated financial statements for the six months ended 30 June 2020 and the principal effects for adopting these new IFRSs are as follows:

Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

Amendments to IFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments add a practical expedient to provide a relief for lessees to bypass the need to carry out an assessment to decide whether a COVID-19 related rent concession received is a lease modification or not and allow lessees to account for such rent concessions as if the change was not a lease modification.

This practical expedient is only applicable to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances. Additional disclosures are required if this practical expedient are used.

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Lianzhong Group		
— Online games revenue	49,552	55,286
AESE Group		
— In-person revenue	21,128	40,490
— Multiplatform content revenue	13,517	19,287
— Interactive revenue	40,091	32,327
	<u>124,288</u>	<u>147,390</u>

5. OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other revenue		
Bank interest income	172	104
Interest income from loans to third parties	—	1,070
Interest income from loans to associates	—	36
Interest income from loan to a former director	—	50
Foreign exchange gain	83	—
Gain on disposal of financial assets at fair value through profit or loss	—	127
	<u>255</u>	<u>1,387</u>
Other net income		
Subsidy income from government (<i>note</i>)	780	568
Sundry income	583	187
	<u>1,363</u>	<u>755</u>
	<u>1,618</u>	<u>2,142</u>

Note: Subsidy income from government mainly relates to cash subsidies in respect of operating and development activities 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses		
Salaries, bonus and allowances	30,245	28,520
Retirement benefit scheme contributions	5,871	2,464
Severance payments	—	612
Share-based compensation expense	5,110	1,095
	<u>41,226</u>	<u>32,691</u>
Other items		
Lease charges:		
— 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	17,913	17,219
— Right-of-use assets	7,058	8,216
Total depreciation	<u>24,971</u>	<u>25,435</u>
Amortisation of intangible assets	17,842	69,628
Loss on disposal of property, plant and equipment	<u>—</u>	<u>59</u>

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax		
— Current period	505	1,104
Deferred tax	(367)	(7,375)
Income tax expense/(credit)	<u>138</u>	<u>(6,271)</u>

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
Loss for the period attributable to equity holders of the Company (in RMB'000)	<u>(70,541)</u>	<u>(83,243)</u>
Weighted average number of ordinary shares in issue during the period	<u>1,067,879,893</u>	<u>1,075,792,791</u>
Basic loss per share (in RMB cents per share)	<u><u>(6.61)</u></u>	<u><u>(7.74)</u></u>

(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 2020, the Company has six categories of dilutive ordinary shares, being the Company's share option schemes, and options, warrants, convertible notes, unit purchase options and contingent consideration shares issued by a subsidiary of the Company. The impacts had antidilutive effect on the basic loss per share amounts presented.

For the six months ended 30 June 2019, 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. The impacts had antidilutive effect on the basic loss per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of RMB3,155,000 (six months ended 30 June 2019: RMB6,116,000).

During the six months ended 30 June 2020, the Group acquired property, plant and equipment through acquisition of subsidiaries at a cost of RMB23,000 (six months ended 30 June 2019: RMB11,000).

11. INTANGIBLE ASSETS

During the six months ended 30 June 2020, additions to intangible assets by acquisition is amounted to RMB8,687,000 (six months ended 30 June 2019: RMB42,452,000).

During the six months ended 30 June 2019, additions to intangible assets by capitalisation in respect of development costs is amounted to RMB1,179,000.

During the six months ended 30 June 2019, an impairment loss of RMB1,035,000 (note 19) was recognised in “Impairment of assets”.

12. GOODWILL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January (Audited)	101,249	180,441
Disposal of subsidiaries	—	(200)
Provision for impairment (<i>Note 19</i>)	—	(6,238)
Net exchange differences	<u>1,500</u>	<u>167</u>
As at 30 June (Unaudited)	<u><u>102,749</u></u>	<u><u>174,170</u></u>

13. LOANS TO THIRD PARTIES

	<i>Note</i>	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Non-current portion			
Loans		—	6,443
Interest receivables		<u>—</u>	<u>—</u>
	(a)	—	6,443
Less: ECL allowance		<u>—</u>	<u>—</u>
		<u>—</u>	<u>6,443</u>
Current portion			
Loans	(b)	56,330	57,470
Interest receivables		<u>1,843</u>	<u>2,061</u>
	(c)	58,173	59,531
Less: ECL allowance		<u>(50,245)</u>	<u>(55,463)</u>
		<u>7,928</u>	<u>4,068</u>
		<u><u>7,928</u></u>	<u><u>10,511</u></u>

(a) As at 31 December 2019, long-terms loans amounting to RMB6,443,000 are secured by unlisted equity interest in companies of the debtors incorporated in the PRC and were interest-free. They were repayable in Year 2021.

- (b) As at 30 June 2020, the loans to third parties of RMB56,330,000 become due within next 12 months and are included in current portion. The amount comprises of:
- (i) RMB26,452,000 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) RMB13,285,000 unsecured loan with interest rate of 7% annum;
 - (iii) RMB6,443,000 are secured by unlisted equity interest in companies of the debtors incorporated in the PRC and were interest-free;
 - (iv) RMB1,650,000 unsecured loan being interest-free; and
 - (v) RMB8,500,000 were secured by unlisted equity interest in companies of the debtors incorporated in the PRC, of which RMB4,000,000 were with interest rate 4.75% per annum and RMB4,500,000 were interest-free.

As at 31 December 2019, the loans to third parties of RMB57,470,000 become due within next 12 months and are included in current portion. The amount comprises of:

- (i) RMB26,452,000 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) RMB13,285,000 unsecured loan with interest rate of 7% annum;
 - (iii) 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;
 - (iv) RMB4,233,000 unsecured loan being interest-free; and
 - (v) RMB8,500,000 were secured by unlisted equity interest in companies of the debtors incorporated in the PRC, of which RMB4,000,000 were with interest rate 4.75% per annum and RMB4,500,000 were interest-free.
- (c) During the six months ended 30 June 2019, an impairment loss of RMB1,384,000 (note 19) was recognised in “Impairment of assets”.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables		
From third parties	13,606	45,166
Less: ECL allowance	<u>(921)</u>	<u>(27,582)</u>
	<u>12,685</u>	<u>17,584</u>
Other receivables		
Deposits, prepayments and other receivables	18,159	35,098
Advances to employees	—	1,321
Loan to a former director of the Company	<u>4,509</u>	<u>4,509</u>
	22,668	40,928
Less: ECL allowance	<u>(204)</u>	<u>(8,000)</u>
	<u>22,464</u>	<u>32,928</u>
	<u>35,149</u>	<u>50,512</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.

The credit terms of trade receivables are usually 30 to 90 days. Ageing analysis based on recognition date of the gross trade receivables at the reporting dates is as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
0–30 days	110	11,608
31–60 days	—	1,925
61–90 days	—	614
91–180 days	1,408	2,603
181–365 days	8,573	—
Over 1 year	<u>3,515</u>	<u>28,416</u>
	<u>13,606</u>	<u>45,166</u>

The movement in the ECL allowance is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January (Audited)	27,582	92,413
ECL allowance recognised	682	15,020
Reversal of ECL allowance	(48)	—
Amount written off during the period	<u>(27,295)</u>	<u>—</u>
As at 30 June (Unaudited)	<u><u>921</u></u>	<u><u>107,433</u></u>

The Group applies a simplified approach to provide for expected credit losses prescribed in IFRS 9. 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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Included in non-current assets		
Unlisted equity investments	<u><u>55,470</u></u>	<u><u>63,414</u></u>

16. TRADE AND OTHER PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables		
To third parties	<u><u>10,398</u></u>	<u><u>17,507</u></u>
Other payables		
Receipts in advance	—	10
Other payables and accrued charges	74,581	46,720
Staff costs and welfare accruals	7,391	8,643
Accrued interests on convertible notes	<u><u>2,673</u></u>	<u><u>14,573</u></u>
	<u><u>84,645</u></u>	<u><u>69,946</u></u>
	<u><u>95,043</u></u>	<u><u>87,453</u></u>

All amounts are short-term and hence the carrying values of trade and other payables as at 30 June 2020 and 31 December 2019 were considered to be a reasonable approximation of their fair values.

The credit terms granted to the Group are usually 30 to 90 days.

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

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
0–30 days	5,571	8,536
31–60 days	495	528
61–90 days	468	151
91–180 days	729	1,979
181–365 days	1,328	5,335
Over 1 year	<u>1,807</u>	<u>978</u>
	<u>10,398</u>	<u>17,507</u>

17. CONVERTIBLE NOTES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Current portion		
Convertible Notes issued in 2020	63,716	—
Convertible Notes issued in 2019 and 2018	—	96,506
Non-current portion		
Convertible Notes issued in 2019 and 2018	<u>14,121</u>	<u>—</u>
	<u>77,837</u>	<u>96,506</u>

Convertible Notes issued in 2020

On 8 June 2020, the Group subsidiary, AESE issued convertible notes with an aggregate principal amount of US\$9,600,000 (the “**2020 Convertible Notes**”) and immediately vested five-year warrants to purchase an aggregate 1,454,546 shares of common stock of AESE at an exercise price of US\$4.125 per share for net cash proceeds of US\$9,000,000 (equivalent to RMB63,292,000). The 2020 Convertible Notes are secured by the assets of AESE, interest bearing at 8% per annum and mature on 8 June 2022, with an aggregate of US\$1,536,000 of interest guaranteed to be paid to the noteholders.

The 2020 Convertible Notes and two years of interest are payable in equal monthly instalments (the “**Monthly Redemption Payment**”), commencing on 7 August 2020.

Each Monthly Redemption Payment may be paid at the AESE's option in cash, or in shares of common stock (the "**Stock Settlement Option**") at a price equal to 87% of the lowest daily volume weighted average price in the 10 days prior to the scheduled payment date (the "**Stock Settlement Price**"), The Stock Settlement Price cannot be lower than US\$0.734 per share. Monthly Redemption Payments paid in cash require the payment of a 10% premium in addition to the monthly instalment.

Immediately prior to each Monthly Redemption Payment, the holders of the 2020 Convertible Notes may accelerate up to four Monthly Redemption Payments and may elect to have such accelerated Monthly Redemption Payments paid in shares of AESE's common stock at the Stock Settlement Price, instead of in cash.

The 2020 Convertible Notes are convertible at each holder's option, in whole or in part, and from time to time, into shares of the AESE's common stock (the "**Holder Conversion Option**" and together, with the Stock Settlement Option, the "**ECOs**") at US\$3.30 per share (subject to adjustment to convert at the same price as any subsequent issuances of AESE common stock at a lower issuance price, subject to certain exceptions) (the "**Holder Conversion Price**") provided; however, that the parties may not affect any such conversion that would result in a note holder (together with its affiliates) owning in excess of 4.99% of the number of shares of AESE's common stock outstanding immediately after giving effect to the conversion (the "**Beneficial Ownership Limitation**"). Each holder, upon notice to AESE, may elect to increase or decrease its Beneficial Ownership Limitation, provided that the Beneficial Ownership Limitation may not exceed 9.99%.

Convertible Notes issued in 2019 and 2018

As at 31 December 2019, the aggregate principal amount of convertible notes issued in 2019 and 2018 (the "**2019 and 2018 Convertible Notes**") amounted to US\$14,000,000 (equivalent to RMB96,506,000), which were secured by the assets of AESE.

During the six months ended 30 June 2020, principal amount of US\$2,000,000 was converted into AESE's common stock at a reduced conversion price of US\$1.60 per share, and US\$3,000,000 was converted into AESE's common stock at a reduced conversion price of US\$1.40 per share.

Pursuant to the amended agreements, interest payable in the amount of US\$1,421,096 (equivalent to RMB10,061,000) (the "**Accrued Interest**") on the US\$5,000,000 principal owed to the noteholder prior to conversion will continue to accrue through the maturity date as if the principal amount had not been converted, and the Accrued Interest was converted into principal as "bridge note payables".

During the six months ended 30 June 2020, principal amount of US\$7,000,000 (equivalent to RMB49,227,000) was repaid.

As of 30 June 2020, the remaining outstanding principles of the 2019 and 2018 Convertible Notes were US\$2,000,000 (equivalent to RMB14,121,000), interest bearing at 12% per annum and with an extended maturity date on 23 February 2022.

The movements of Convertible Notes are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January (Audited)	96,506	70,323
Issue of Convertible Notes	63,292	27,499
Repayment of Convertible Notes	(49,227)	—
Conversion to shares of AESE	(34,029)	—
Exchange difference	1,295	—
	<u>77,837</u>	<u>97,822</u>
As at 30 June (Unaudited)	<u>77,837</u>	<u>97,822</u>

18. COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Contracted but not provided for: Expenditure in respect of strategic investment	<u>1,000</u>	<u>24,417</u>

(b) Lease commitments

At the reporting date, the lease commitments for short term leases are as follows:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within one year	<u>—</u>	<u>27</u>

19. IMPAIRMENT OF ASSETS

	Six months ended 30 June	
	2020	2019
	Total	Total
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Intangible assets	—	1,035
Goodwill	—	6,238
Interests in associates	—	4,071
Loans to third parties	—	1,384
Trade and other receivables	<u>1,305</u>	<u>179</u>
Total	<u>1,305</u>	<u>12,907</u>

This interim results announcement has been published on the website of the The Stock Exchange of Hong Kong Limited (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 2020 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
Li Yangyang
Chairman and Executive Director

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises Mr. Li Yangyang and Mr. Gao Hong as executive Directors; Mr. Liu Jiang, Ms. Fu Qiang, Mr. Chen Xian and Mr. Hu Wen as non-executive Directors; and Professor Huang Yong, Mr. Ma Shaohua and Mr. Lu Jingsheng as independent non-executive Directors.

* *For identification purpose only*