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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)

FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2020 OF ALLIED ESPORTS ENTERTAINMENT, INC.

Allied Esports Entertainment, Inc. (“**AESE**”), an indirect non-wholly owned subsidiary of Ourgame International Holdings Limited (the “**Company**”), published its financial results for the three months ended September 30, 2020.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

On November 9, 2020 (U.S. time), AESE, an indirect non-wholly owned subsidiary of the Company, published its financial results for the three months ended September 30, 2020. AESE’s shares are listed on Nasdaq Stock Market.

The following summary of major financial data of AESE for the three months ended September 30, 2020 and September 30, 2019, and the nine months ended September 30, 2020 and September 30, 2019 were prepared in accordance with the Generally Accepted Accounting Principles of the United States (“U.S. GAAP”):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|--------------------|--|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | U.S.\$ | U.S.\$ | U.S.\$ | U.S.\$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues | | | | |
| In-person | 696,890 | 2,586,965 | 3,701,139 | 8,554,030 |
| Multiplatform content | 1,264,346 | 1,031,383 | 3,186,494 | 3,873,709 |
| Interactive | 3,927,066 | 2,423,193 | 9,628,009 | 7,187,196 |
| | <u>5,888,302</u> | <u>6,041,541</u> | <u>16,515,642</u> | <u>19,614,935</u> |
| Total Revenues | | | | |
| Costs and Expenses | | | | |
| In-person (exclusive of depreciation and amortization) | 640,409 | 1,196,572 | 2,134,964 | 3,334,803 |
| Multiplatform content (exclusive of depreciation and amortization) | 928,354 | 786,706 | 1,953,561 | 2,907,827 |
| Interactive (exclusive of depreciation and amortization) | 1,249,799 | 569,478 | 2,982,899 | 1,976,012 |
| Online operating expenses | 329,639 | 172,879 | 993,802 | 401,394 |
| Selling and marketing expenses | 168,080 | 705,714 | 1,093,295 | 2,392,929 |
| General and administrative expenses | 3,578,760 | 4,693,285 | 12,165,463 | 13,265,767 |
| Stock-based compensation | 577,167 | 18,407 | 4,912,640 | 18,407 |
| Depreciation and amortization | 1,738,020 | 1,716,103 | 5,330,317 | 5,133,947 |
| Impairment of investment in ESA | — | — | 1,138,631 | 600,000 |
| | <u>9,210,228</u> | <u>9,859,144</u> | <u>32,705,572</u> | <u>30,031,086</u> |
| Total Costs and Expenses | | | | |
| Loss from Operations | <u>(3,321,926)</u> | <u>(3,817,603)</u> | <u>(16,189,930)</u> | <u>(10,416,151)</u> |
| Other Income (Expense) | | | | |
| Other income | (2,973) | 15,684 | 1,210 | 15,684 |
| Conversion inducement expense | — | — | (5,247,531) | — |
| Extinguishment loss on acceleration of debt redemption | (1,733,768) | — | (1,733,768) | — |
| Interest expense | (1,490,210) | (451,553) | (3,036,056) | (518,443) |
| | <u>(3,226,951)</u> | <u>(435,869)</u> | <u>(10,016,145)</u> | <u>(502,759)</u> |
| Total Other Expense | | | | |
| Net Loss | <u>(6,548,877)</u> | <u>(4,253,472)</u> | <u>(26,206,075)</u> | <u>(10,918,910)</u> |

| Items | As at September 30, 2020 U.S.\$ (unaudited) | As at December 31, 2019 U.S.\$ |
|----------------------------|--|---|
| Total assets | 65,286,873 | 71,321,074 |
| Total liabilities | 21,319,882 | 27,100,248 |
| Total stockholders' equity | 43,966,991 | 44,220,826 |

EXPLANATION ON THE OPERATING RESULTS

Revenues

In-person revenues decreased by approximately \$1.9 million, or 73%, to approximately \$0.7 million for the three months ended September 30, 2020 from approximately \$2.6 million for the three months ended September 30, 2019. The decrease in in-person revenues is primarily due to a decrease in revenue generated from in-person events, which consists of ticket, merchandising, food, and beverage revenue and sponsorship revenue, due to government mandated closures of the facilities of AESE, postponed events, and social distancing measures resulting from the COVID-19 pandemic.

Multiplatform content revenues increased by approximately \$0.3 million, or 22%, to approximately \$1.3 million for the three months ended September 30, 2020 from approximately \$1.0 million for the three months ended September 30, 2019. Increase in multiplatform content revenues primarily relates to an increase in distribution revenue from two major customers, partially offset by decreased music royalty revenues.

Interactive revenues increased by approximately \$1.5 million, or 62%, to approximately \$3.9 million for the three months ended September 30, 2020 from approximately \$2.4 million for the three months ended September 30, 2019. The increase in interactive revenues all relates to the WPT business and is primarily attributable to the increase in subscription revenue and increased online participation relates to social gaming revenue due to the mandatory quarantine and stay-at-home measures imposed as a result of the COVID-19 pandemic.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$0.6 million, or 47%, to approximately \$0.6 million for the three months ended September 30, 2020 from approximately \$1.2 million for the three months ended September 30, 2019. The decrease in in-person costs is primarily related to the decrease in in-person revenues due to the postponement or cancellation of events and the reduced capacity and temporary closure of Allied Esports' flagship gaming arena located at the Luxor Hotel in Las Vegas, Nevada due to the COVID-19 pandemic.

Multiplatform content costs (exclusive of depreciation and amortization) increased by approximately \$0.1 million, or 18%, to approximately \$0.9 million for the three months ended September 30, 2020 from approximately \$0.8 million for the three months ended September 30, 2019. Certain film production costs are deferred when incurred and are amortized in the proportion of the current year revenues to management's estimate of ultimate revenue to be recognized from the related production. Increases in estimated ultimate revenues result in a lower amortization rate, and less amortization of capitalized costs, while decreases in estimated ultimate revenues increase the amortization rate and result in higher amortization of capitalized costs. During the three months ended September 30, 2020, management reduced its estimate of ultimate revenues to be earned in connection with certain productions, which resulted in an increase in amortization of capitalized costs during the period.

Interactive costs (exclusive of depreciation and amortization) increased by approximately \$0.7 million, or 120%, to approximately \$1.3 million for the three months ended September 30, 2020 from approximately \$0.6 million for the three months ended September 30, 2019, primarily in connection with increased interactive revenues during the period. Beginning in June 2020, AESE introduced a new poker subscription service, resulting in higher prize pools and revenue share costs. AESE expects that margins related to the new platform will improve as it gains recognition.

Online operating expenses increased by approximately \$0.1 million, or 91%, to approximately \$0.3 million for the three months ended September 30, 2020 from approximately \$0.2 million for the three months ended September 30, 2019, primarily related to increased software maintenance expenses.

Selling and marketing expenses decreased by approximately \$0.5 million, or 76%, to approximately \$0.2 million for the three months ended September 30, 2020 from approximately \$0.7 million for the three months ended September 30, 2019, primarily due to the decrease in events held during 2020 as a result of the COVID-19 pandemic.

General and administrative expenses decreased by approximately \$1.1 million, or 23%, to approximately \$3.6 million for the three months ended September 30, 2020 from approximately \$4.7 million for the three months ended September 30, 2019. The decrease in general and administrative costs primarily results from (i) decreases in accounting, legal, and consulting fees incurred in connection with the merger transaction between Black Ridge Acquisition Corp, Noble Link Global Limited and Allied Esports Media, Inc. as approved by AESE's shareholders on July 5, 2019 during the three months ended September 30, 2019, (ii) decreases in travel, meals, and entertainment as a result of the COVID-19 pandemic, and (iii) decreases in bonuses earned during the period.

Stock-based compensation increased by approximately \$0.6 million to approximately \$0.6 million for the three months ended September 30, 2020, from approximately \$18 thousand for the three months ended September 30, 2019, which represents the amortization of stock options and restricted stock which were granted during September 2019 and during the third quarter of 2020.

Depreciation and amortization was approximately \$1.7 million for the three months ended September 30, 2020 and 2019.

Please refer to the Form 10-Q published by AESE on the website of the U.S. Securities and Exchange Commission (<https://www.sec.gov>) and the website of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) for further details.

The financial results of AESE contained in the Form 10-Q have been prepared in accordance with U.S. GAAP, which are different from the International Financial Reporting Standards that the Company uses to prepare and present its financial information. As such, the financial information in the Form 10-Q is not directly comparable to the financial results of AESE as reflected in the consolidated financial results that the Company discloses. Consequently, the Company offers no assurance that the financial results of AESE for the three months ended September 30, 2020 or any period will be the same as that to be presented in the Company's own consolidated financial results.

By order of the Board
Ourgame International Holdings Limited
Li Yangyang
Chairman and Executive Director

Beijing, November 10, 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*