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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)

PUBLICATION OF THE 2021 INTERIM RESULTS AND FINANCIAL RESULTS FOR THE SECOND QUARTER 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 interim results for the six months ended June 30, 2021 and the financial results for the three months ended June 30, 2021.

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 August 16, 2021 (U.S. time), AESE, an indirect non-wholly owned subsidiary of the Company, published its interim results for the six months ended June 30, 2021 and the financial results for the three months ended June 30, 2021. AESE’s shares are listed on Nasdaq Stock Market.

The following summary of major financial data of AESE for the six months ended June 30, 2020 and 2021 were prepared in accordance with the Generally Accepted Accounting Principles of the United States (the “U.S. GAAP”):

	For the six months ended	
	June 30	
	2021	2020
	<i>U.S.\$</i>	<i>U.S.\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues		
In-person	1,171,914	1,678,203
Multiplatform content	<u>153,723</u>	<u>—</u>
Total Revenues	<u>1,325,637</u>	<u>1,678,203</u>
Costs and expenses		
In-person (exclusive of depreciation and amortization)	1,193,110	1,494,555
Multiplatform content (exclusive of depreciation and amortization)	126,885	—
Online operating expenses	96,547	114,400
Selling and marketing expenses	128,673	132,216
General and administrative expenses	6,125,064	5,769,340
Stock-based compensation	1,030,142	4,221,375
Depreciation and amortization	1,689,802	1,809,427
Impairment of investment in ESA	<u>—</u>	<u>1,138,631</u>
Total Costs and Expenses	<u>10,390,223</u>	<u>14,679,944</u>
Loss from Operations	<u>(9,064,586)</u>	<u>(13,001,741)</u>
Other Income (Expense):		
Other (expense) income, net	14,979	(2,459)
Conversion inducement expense	—	(5,247,531)
Interest expense	<u>(257,602)</u>	<u>(1,545,007)</u>
Total Other Expense	<u>(242,623)</u>	<u>(6,794,997)</u>
Loss from continuing operations	(9,307,209)	(19,796,738)
Income from discontinued operations, net of tax provision	<u>3,030,453</u>	<u>139,540</u>
Net Loss	<u>(6,276,756)</u>	<u>(19,657,198)</u>

Items	As at June 30, 2021 U.S.\$ (unaudited)	As at December 31, 2020 U.S.\$
Total assets	<u>71,231,581</u>	<u>61,900,495</u>
Total liabilities	<u>42,352,338</u>	<u>28,494,911</u>
Total stockholders' equity	<u>28,879,243</u>	<u>33,405,584</u>

The following summary of major financial data of AESE for the three months ended June 30, 2020 and 2021 were prepared in accordance with the U.S. GAAP:

	For the Three Months Ended June 30	
	2021 U.S.\$ (unaudited)	2020 U.S.\$ (unaudited)
Revenues		
In-person	670,886	620,462
Multiplatform content	<u>153,723</u>	<u>—</u>
Total Revenues	<u>824,609</u>	<u>620,462</u>
Costs and expenses		
In-person (exclusive of depreciation and amortization)	655,243	507,112
Multiplatform content (exclusive of depreciation and amortization)	126,885	—
Online operating expenses	56,228	52,693
Selling and marketing expenses	84,739	56,489
General and administrative expenses	2,895,509	2,316,243
Stock-based compensation	386,994	274,589
Depreciation and amortization	807,843	910,330
Impairment of investment in ESA	<u>—</u>	<u>1,138,631</u>
Total Costs and Expenses	<u>5,013,441</u>	<u>5,256,087</u>
Loss from Operations	<u>(4,188,832)</u>	<u>(4,635,625)</u>

	For the Three Months Ended	
	June 30	
	2021	2020
	<i>U.S.\$</i>	<i>U.S.\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Other Income (Expense):		
Other (expense) income, net	(40,163)	(257)
Conversion inducement expense	—	(5,247,531)
Interest expense	<u>(104,496)</u>	<u>(862,067)</u>
Total Other Expense	<u>(144,659)</u>	<u>(6,109,855)</u>
Loss from continuing operations	(4,333,491)	(10,745,480)
Income (loss) from discontinued operations, net of tax provision	<u>1,393,411</u>	<u>(135,249)</u>
Net Loss	<u><u>(2,940,080)</u></u>	<u><u>(10,880,729)</u></u>

EXPLANATION ON THE OPERATING RESULTS

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Revenues

In-person experience revenues decreased by approximately \$506 thousand, or 30%, to approximately \$1.2 million for the six months ended June 30, 2021 from approximately \$1.7 million for the six months ended June 30, 2020. The decrease of in-person experience revenues was driven by a \$617 thousand decrease in sponsorship revenue as a direct result of the COVID-19 pandemic and the resulting limited ability to hold events during the six months ended June 30, 2021. This was slightly offset by approximately \$132 thousand increase in event revenue due to the removal of capacity restrictions at the arena.

Multiplatform content revenue increased by approximately \$154 thousand to approximately \$154 thousand for the six months ended June 30, 2021 from \$0 for the six months ended June 30, 2020. The increase of multiplatform revenues was driven by a new contract entered into in the second quarter of 2021.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$302 thousand, or 20%, to approximately \$1.2 million for the six months ended June 30, 2021 from approximately \$1.5 million for the six months ended June 30, 2020. The decrease of in-person costs is primarily related to the decrease of in-person revenues as a result of the postponement or cancellation of events due to the COVID-19 pandemic.

Multiplatform content costs (exclusive of depreciation and amortization) increased by approximately \$127 thousand for the six months ended June 30, 2021 from \$0 for the six months ended June 30, 2020. The increase of multiplatform content costs was driven by a new contract entered into in the second quarter of 2021.

Online operating expenses decreased by approximately \$17 thousand, or 15%, to approximately \$97 thousand for the six months ended June 30, 2021, from approximately \$114 thousand for the six months ended June 30, 2020.

Selling and marketing expenses decreased by approximately \$3 thousand, or 2%, to approximately \$129 thousand for the six months ended June 30, 2021 from approximately \$132 thousand for the six months ended June 30, 2020.

General and administrative expenses increased by approximately \$356 thousand, or 6%, to approximately \$6.1 million for the six months ended June 30, 2021, from approximately \$5.8 million for the six months ended June 30, 2020. Compensation and other operating expenses in connection with Allied Esports gaming operations increased during the six months ended June 30, 2021 as a result of AESE's increase in salaries in November 2020 after being reduced in March 2020 due to COVID-19 pandemic. In addition, there were increases in legal and professional fees incurred during the period in connection with the sale of WPT.

Stock based compensation was \$1.0 million for the six months ended June 30, 2021, compared to \$4.2 million for the six months ended June 30, 2020. The decrease included \$3.7 million stock-based compensation expense in 2020 related to the return of cash held in escrow associated with an escrow agreement with Simon (the "**Simon Agreement**") that occurred during the six months ended June 30, 2020 which was slightly offset by an \$0.5 million increase due to new awards that were issued in the second half of 2020.

Depreciation and amortization decreased by approximately \$120 thousand, or 7%, to approximately \$1.7 million for the six months ended June 30, 2021, from approximately \$1.8 million for the six months ended June 30, 2020.

AESE recorded an impairment of its investment in ESA of approximately \$1.1 million during the six months ended June 30, 2020. No impairment charges were recorded during the six months ended June 30, 2021.

Other income (expense)

Other income (expense) increased by approximately \$17 thousand, to approximately \$15 thousand for the six months ended June 30, 2021 from approximately \$(2) thousand for the six months ended June 30, 2020. The increase was due to an insurance payment received for a claim submitted for damaged equipment.

Conversion inducement expense

Conversion inducement expense of approximately \$5.2 million during the six months ended June 30, 2020, resulted from the reduction in the conversion price and the increase in interest payable to induce the conversion of certain convertible debt converted during the period. There was no conversion inducement expense recorded for the six months ended June 30, 2021.

Interest expense

Interest expense was approximately \$257 thousand for the six months ended June 30, 2021 compared to \$1.5 million for the six months ended June 30, 2020, a decrease of \$1.3 million, or 83%. The decrease is a result of the decrease in the principal balance of notes payable and convertible notes outstanding during the period.

Results of Discontinued Operations

AESE recognized income (loss) from discontinued operations, net of tax, of approximately \$3.0 million and \$140 thousand during the six months ended June 30, 2021 and 2020, respectively, representing an increase of \$2.9 million. The improvement in results from discontinued operations is primarily due to an increase in revenues from our subscription-based poker service and other online products during the period in response to the COVID-19 pandemic.

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Revenues

In-person experience revenues increased by approximately \$51 thousand, or 8%, to approximately \$671 thousand for the three months ended June 30, 2021 from approximately \$620 thousand for the three months ended June 30, 2020. The increase of in-person experience revenues was driven by a 245 thousand increase in event revenue, a \$100 thousand increase in food and beverage revenue and a \$117 thousand increase in ticket and gaming revenue. These increases are a direct result of the COVID-19 pandemic and removal of capacity restrictions in the arena for the three months ended June 30, 2021. These increases were offset by a \$416 thousand decrease in sponsorship revenue due to decreases in event sponsorships and truck event sponsorships in Europe as such events have not yet picked up again as a result of the COVID-19 pandemic.

Multiplatform content revenue increased by approximately \$154 thousand to approximately \$154 thousand for the three months ended June 30, 2021 from \$0 for the three months ended June 30, 2020. The increase of multiplatform revenues was driven by a new contract entered into in the second quarter of 2021.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) increased by approximately \$148 thousand, or 29%, to approximately \$655 thousand for the three months ended June 30, 2021 from approximately \$507 thousand for the three months ended June 30, 2020. The increase of in-person costs is primarily related to the continuation of events in 2021 that were postponed or canceled in 2020 due to the COVID-19 pandemic.

Multiplatform content costs (exclusive of depreciation and amortization) increased by approximately \$127 thousand for the three months ended June 30, 2021 from \$0 for the three months ended June 30, 2020. The increase of multiplatform content costs was driven by a new contract entered into in the second quarter of 2021.

Online operating expenses increased by approximately \$3 thousand, or 6%, to approximately \$56 thousand for the three months ended June 30, 2021, from approximately \$53 thousand for the three months ended June 30, 2020.

Selling and marketing expenses increased by approximately \$29 thousand, or 52%, to approximately \$85 thousand for the three months ended June 30, 2021 from approximately \$56 thousand for the three months ended June 30, 2020.

General and administrative expenses increased by approximately \$580 thousand, or 25%, to approximately \$2.9 million for the three months ended June 30, 2021, from approximately \$2.3 million for the three months ended June 30, 2020. Compensation and other operating expenses in connection with Allied Esports gaming operations increased during the three months ended June 30, 2021 as a result of AESE's increase in salaries in November 2020 after being reduced in March 2020 due to COVID-19 pandemic. In addition, there were increases in legal and professional fees incurred during the period in connection with the sale of WPT.

Stock based compensation was \$387 thousand for the three months ended June 30, 2021, compared to \$275 thousand for the three months ended June 30, 2020. The increase was a result of new awards that were issued in the second half of 2020.

Depreciation and amortization decreased by approximately \$102 thousand, or 11%, to approximately \$808 thousand for the three months ended June 30, 2021, from approximately \$910 thousand for the three months ended June 30, 2020.

AESE recorded an impairment of its investment in ESA of approximately \$1.1 million during the three months ended June 30, 2020. No impairment charges were recorded during the three months ended June 30, 2021.

Other income (expense)

AESE recognized other expense of approximately \$40 thousand during the three months ended June 30, 2021. There was \$257 of other expense recorded for the three months ended June 30, 2020.

Conversion inducement expense

Conversion inducement expense of approximately \$5.2 million during the three months ended June 30, 2020, resulted from the reduction in the conversion price and the increase in interest payable to induce the conversion of certain convertible debt converted during the period. There was no conversion inducement expense recorded for the three months ended June 30, 2021.

Interest expense

Interest expense was approximately \$104 thousand for the three months ended June 30, 2021 compared to \$862 thousand for the three months ended June 30, 2020, a decrease of \$758 thousand, or 88%. The decrease is a result of the decrease in the principal balance of notes payable and convertible notes outstanding during the period.

Results of Discontinued Operations

AESE recognized income (loss) from discontinued operations, net of tax, of approximately \$1.4 million and \$(135) thousand during the three months ended June 30, 2021 and 2020, respectively, representing an increase of \$1.5 million. The improvement in results from discontinued operations is primarily due to an increase in revenues from our subscription-based poker service and other online products during the period in response to the COVID-19 pandemic.

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 (“**IFRS**”) 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 six months ended June 30, 2021 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
Lu Jingsheng
Chief Executive Officer and Executive Director

Beijing, August 17, 2021

As at the date of this announcement, the Board comprises Mr. Li Yangyang and Mr. Lu Jingsheng as executive Directors; Mr. Liu Jiang, Mr. Liu Xueming and Ms. Wu (Claire) Libing as non-executive Directors; and Mr. Ma Shaohua and Mr. Zhang Li as independent non-executive Directors.

* *For identification purpose only*