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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 2022

FINANCIAL HIGHLIGHTS	Six months ended 30 June		Changes
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	
Revenue	72,693	58,607	24.0%
(Loss)/Profit for the period attributable to equity holders of the Company			
— Continuing operations	(25,610)	(35,029)	
— Discontinued operations	—	27,237	
	<u>(25,610)</u>	<u>(7,792)</u>	228.7%
(Loss)/Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
Basic (loss)/earnings per share			
— From continuing operations	(2.38)	(3.33)	
— From discontinued operations	—	2.59	
	<u>(2.38)</u>	<u>(0.74)</u>	
Diluted (loss)/earnings per share			
— From continuing operations	(2.38)	(3.33)	
— From discontinued operations	—	2.59	
	<u>(2.38)</u>	<u>(0.74)</u>	

REVENUE BY GEOGRAPHICAL AREAS

	Six months ended 30 June		Changes
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	
The People's Republic of China (the "PRC") ⁽¹⁾	49,575	50,027	(0.9%)
Outside the PRC ⁽²⁾	<u>23,118</u>	<u>8,580</u>	169.4%
Total revenue	<u>72,693</u>	<u>58,607</u>	24.0%

- (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 of the continuing operations 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 eSports business.

The board (the “**Board**”) of directors (the “**Directors**”) of Ourgame International Holdings Limited (“**Ourgame**” or the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022. These unaudited consolidated interim results have been reviewed and approved by the Company’s audit committee (the “**Audit Committee**”).

BUSINESS REVIEW

In the first half of 2022, the Company continued to insist on its overall strategy of domestic and international “dual-circulation” by continuously exploring the overall existing business and developing it thoroughly while actively developing new business. The Company’s business in China has been growing steadily and healthily, with its existing business being “value-added” continuously, particularly the “game hall” business. Meanwhile, the Company has been exploring in new racetracks such as mobile game business and MCN (multi-channel network) broadcasting. Events at e-sports venues, offline tournaments and programme production outside China continued to develop.

In respect of our PC game business which has over 20 years of history, the Company’s business platform sector has been optimised and fine-tuned in various aspects, such as improving user experience of the premium users, to further enhance our brand stickiness and visibility and to combine the traditional products with the hot-pick items, including short videos and live broadcast projects in order to raise the user activities, thereby promoting sustainable and healthy growth of the revenue from PC games in the first half of 2022. The Company will further explore the value of Ourgame Hall platform users in the future and continue to provide hundreds of millions of platform users with better services. Meanwhile, we will further strengthen our efforts in marketing and expand cooperation channels on PC platform with a view to attracting new users.

In respect of the traditional card and board games projects, Ourgame continued to press ahead with the cooperation strategy with various channels, among which, our cooperation with video platform giant, iQIYI has made steady progress. “All City Fight Landlord” (全城鬥地主), a web game jointly operated by both parties, has been enlisted on the game centre of iQIYI, providing hundreds of millions of users with enriching entertainment experiences in different scenes. Meanwhile, this game product has commenced cooperation with omni-channels and has been released via OPPO, VIVO, HUAWEI, Lenovo, Xiaomi, WeChat and other channels, covering diversified platforms such as hardcore games, contents, community groups, and tools app, thereby completing the comprehensive layout. We have also cooperated in depth with our partner, Qutoutiao, for Ourgame’s game product, Fight Landlord Now (馬上鬥地主), which was well-received by the market. Ourgame’s game product, Experts Fight Landlord (達人鬥地主), has been promoted on Kuaishou and cooperated with multiple advertisers, which was well-received by the market after two months of commissioning. Besides, such product model will promote other products related to Fight Landlord and Mahjong, enlarging product categories jointly promoted with partners, continuing to cultivate the traditional card and board games market, while continuing to make new exploration in puzzle games.

Based on our industrial competitive edge in card and board games sector, the Company has established a live broadcast association and operation team that focuses on card and board games contents. The Company has also established connection with internet live streaming platforms such as Kuaishou and Douyin to kick-start various initiatives. Currently, the operation team has built its own anchor camp covering various categories, such as chess, Mahjong, Fight Landlord (鬥地主), western chess, Four-nation War Chess (四國軍棋), bridge and other sectors. Meanwhile, we are building a public channel featuring short videos with professional content in various aspects in order to make the best use of our competitive edge from our refined operation as compared to our industry peers. Our live broadcast business has reached a cooperative venture with the official card and board games of Kuaishou, which has assisted Kuaishou's promotion of its official card and board games in the live broadcasting sector. The cooperative venture is a new attempt for a win-win cooperation between Ourgame and other card and board games operators.

In terms of overseas business, Allied Esports, a subsidiary of AESE continues to make significant strides in its AE Studios content business, the operation of proprietary eSports tournaments, and production of third-party events. Allied Esports has also launched its Web3 strategy and first NFT collection. In the first half of 2022, Allied Esports produced 183 events, including 133 proprietary events and 50 third party productions. The third-party events were highlighted by the Unified Pro-Am Association World Championship, LVL UP EXPO, the Rainbow Six North America League, the European Qualifiers for Ubisoft's Six Invitational, Alien Frens Las Vegas Games and DIGI1.

In the first quarter of 2022, Allied Esports' content division, AE Studios, launched its first original branded content offering, ELEVATED Presented by Progressive Insurance, with supporting sponsors Tyson Foods and HyperX. ELEVATED is a new live and interactive show on Twitch that gives streamers exposure and awareness to a larger audience. The initial run of ELEVATED, which is currently in development on its second season, delivered over 10 million live views, 3 million VOD views and 1.3 billion impressions. In February 2022, Allied Esports announced a partnership with NASCAR to execute the eNASCAR Arcade at 17 NASCAR Cup Series events in 2022 with 9 events taking place in the first half of 2022.

Since its inception in 1998, Ourgame remained its focus on the development of card and board games despite various challenges in the market. Leveraged on its card and board games business, Ourgame has built a mind sports ecosystem that incorporates online games, competitive sports events and programme production, gradually marching towards the global sports and entertainment markets, which forms a strong linkage between Hong Kong and the United States stock markets. It is believed that in the future, Ourgame will continue to stride forward and move towards the goal of becoming the world's top sports and entertainment company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. *Overview*

The loss attributable to equity holders of the Company amounted to RMB25.6 million (which comprised loss of RMB25.6 million from continuing operations) for the six months ended 30 June 2022, as compared with the loss attributable to equity holders of the Company of RMB7.8 million (which comprised loss of RMB35.0 million from continuing operations and profit of RMB27.2 million from discontinued operations) for the six months ended 30 June 2021.

2. *Revenue*

For the six months ended 30 June 2022, revenue of the Group from continuing operations amounted to RMB72.7 million, representing an increase of RMB14.1 million or 24.1% as compared with RMB58.6 million for the corresponding period of 2021. The increase was mainly due to increase in in-person revenues of AESE as a result of new contract entered into increasing the sponsorship revenue and revenues increase with the removal of COVID-19 pandemic-related capacity restrictions at AESE's HyperX Esports Arena in Las Vegas since 1 June 2021.

3. *Cost of Revenue and Gross Profit Margin*

For the six months ended 30 June 2022, cost of revenue of the Group from continuing operations amounted to RMB35.5 million, representing an increase of RMB1.1 million or 3.2% as compared with RMB34.4 million for the corresponding period of 2021. The gross profit margin from continuing operations increased from 41.3% for the six months ended 30 June 2021 to 51.1% for the six months ended 30 June 2022. The increase in gross profit margin of the Group was mainly due to different costs allocation with the termination of exclusive operation agreement between Beijing Lianzhong Co., Ltd. ("**Beijing Lianzhong**") and Beijing Maipu Taiqi Technology Co., Ltd. since 1 January 2021.

4. *Other Income*

For the six months ended 30 June 2022, other income of the Group from continuing operations amounted to RMB4.9 million, representing an increase of RMB3.3 million or 206.3% as compared with RMB1.6 million for the corresponding period of 2021. This was primarily due to the bad debt recovery of loan to third party.

5. *Selling and Marketing Expenses*

For the six months ended 30 June 2022, selling and marketing expenses of the Group from continuing operations amounted to RMB14.5 million, representing an increase of RMB7.2 million or 98.6% as compared with RMB7.3 million for the corresponding period of 2021. The increase

was mainly because the Group increased promotion and marketing activities during the period and different costs allocation with the termination of exclusive operation agreement with Beijing Lianzhong as mentioned above since 1 January 2021.

6. *Administrative Expenses*

For the six months ended 30 June 2022, administrative expenses of the Group from continuing operations amounted to RMB67.9 million, representing an increase of RMB1.0 million or 1.5% as compared with RMB66.9 million for the corresponding period of 2021. The increase was mainly due to increase in salary expenses due to different costs allocation as mentioned above offset by the decrease in legal and professional fees related to the sale of World Poker Tour (“WPT”).

7. *Research and Development Expenses*

For the six months ended 30 June 2022, research and development expenses of the Group from continuing operations amounted to RMB8.5 million, representing a decrease of RMB3.1 million or 26.7% as compared with RMB11.6 million for the corresponding period of 2021. The decrease was due to the Group focuses on existing versions and less research and development effort placed on new versions of online games during the period.

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

For the six months ended 30 June 2022 and 2021, there were no fair value changes of financial assets at fair value through profit or loss of the Group from continuing operations.

9. *Impairment of Assets*

For the six months ended 30 June 2022, impairment of assets of the Group from continuing operations amounted to RMB1.5 million, as compared with RMB0.4 million for the corresponding period of 2021. The Group has recognized an impairment in digital assets for the period.

10. *Gain on Redemption/Conversion of Convertible Notes*

For the six months ended 30 June 2022, no gain on redemption/conversion of convertible notes of the Group from continuing operations, as compared with gain on redemption/conversion of convertible notes of RMB5.9 million for the corresponding period of 2021. The remaining outstanding principles of convertible notes was converted or repaid in cash during the year ended 31 December 2021.

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

The loss attributable to equity holders of the Company amounted to RMB25.6 million (which comprised loss of RMB25.6 million from continuing operations) for the six months ended 30 June 2022, as compared with the loss attributable to equity holders of the Company of RMB7.8 million (which comprised loss of RMB35.0 million from continuing operations and profit of RMB27.2 million from discontinued operations) for the six months ended 30 June 2021. The increase in loss

attributable to equity holders of the Company was primarily due to the profit from the WPT business for the corresponding period, which had been disposed for the year ended 31 December 2021.

12. *Income Tax Expense*

For the six months ended 30 June 2022, income tax expense of the Group from continuing operations amounted to RMB1,000, as compared with RMB3.4 million for the corresponding period of 2021.

13. *Liquidity and Source of Funding and Borrowing*

As at 30 June 2022, the Group's total bank balances and cash decreased by 0.5% from RMB609.1 million as at 31 December 2021 to RMB605.8 million as at 30 June 2022. The decrease was mainly due to operation use. As at 30 June 2022, the current assets of the Group amounted to RMB703.1 million, including bank balances and cash of RMB605.8 million and other current assets of RMB97.3 million. Current liabilities of the Group amounted to RMB67.6 million, of which RMB59.1 million were trade and other payables and deferred revenue and other current liabilities were RMB8.5 million. As at 30 June 2022, the Group had no borrowings. As at 30 June 2022, the current ratio (the current assets to current liabilities ratio) of the Group was 10.4 as compared to 9.76 as at 31 December 2021. 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 2022 was nil (31 December 2021: 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 2022.

15. *Material Acquisitions*

Save as disclosed in this announcement, the Group did not have any material acquisitions during the six months ended 30 June 2022.

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 ecosystem for acquisitions and strategic and operational synergies, and (iii) leveraging on external financial resources for expertise and scale. As at 30 June 2022, the Group's financial assets at fair value through profit or loss amounted to RMB46.3 million as included as non-current assets (31 December 2021: RMB56.2 million, which were included as non-current assets of RMB48.6 million and current assets of RMB7.6 million).

As at 30 June 2022, the Group's investments in unlisted equity investments amounted to RMB46.3 million as included as non-current assets, 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 Invested Company/ Private Equity Funds	Amount of Capital Contributed by the Group	Percentage of Shareholding	Principal Business
Beijing Yilian Investment Centre (L.P.)	RMB5,000,000	5%	Investment/ management
Gong Qing Cheng Wujiang Xingyao Investment Management Partnership (L.P.)	RMB20,000,000	8.635%	Investment/ management
Beijing Zhongchuang Yonglian Investment Management Centre (L.P.)	RMB23,000,000	22.77%	Investment/ management
Tong Xiang Juli Fengyuan Equity Investment Fund Management Partnership (L.P.)	RMB20,000,000	64.52%	Investment/ management
All In Asia Culture and Tourism Development Company Limited	RMB19,574,700	20%	Investment/ management

For the six months ended 30 June 2022, no dividends have been paid from the above invested companies as included in non-current assets. All startup companies invested by the Group are in relatively early stage, and are mainly focused on product development and launching. The startup companies are in the internet, sports and entertainment segment, which is expected to provide us

with a platform to leverage on our experience and resources, and to minimise 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 2022.

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 2022 are set out below:

Included as Non-Current Assets

**Unlisted equity
investments**
RMB'000

Balance as at 1 January 2022	48,615
Repayment of principals	<u>(2,274)</u>
Fair value as at 30 June 2022	<u><u>46,341</u></u>

Included as Current Assets

**Unlisted equity
investments**
RMB'000

Balance as at 1 January 2022	7,577
Repayment of principals	<u>(7,577)</u>
Fair value as at 30 June 2022	<u><u>—</u></u>

17. Material Disposals

Save as disclosed in this announcement, the Group did not have any material disposals during the six months ended 30 June 2022.

18. *Pledge of Assets*

As at 30 June 2022, none of the Group's assets was pledged (31 December 2021: nil).

19. *Contingent Liabilities*

Save as disclosed in Note 20 to the condensed consolidated financial statements in this announcement, the Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: nil).

20. *Foreign Exchange Exposure*

During the six months ended 30 June 2022, 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 2022, the Group did not have significant foreign currency exposure from its operations.

During the six months ended 30 June 2022, the Group recognised significant currency translation differences of RMB43.8 million in other comprehensive income as a result of the appreciation of USD against RMB over the period.

21. *Employees' Remuneration and Policy*

As at 30 June 2022, the Group had 184 employees, 100 of which were responsible for games development and operation or general administration in the PRC (including Hong Kong), and 84 of which were responsible for the operation of AESE. The total remuneration expenses (including share-based compensation expense) for the six months ended 30 June 2022 were RMB43.0 million, representing an increase of 18.3% as compared to the corresponding period of 2021.

22. *Events Occurred Since the End of the Six Months Ended 30 June 2022*

Save as disclosed in Note 21 to the condensed consolidated financial statements in this announcement, the Group did not have any material events occurred since the end of the six months ended 30 June 2022.

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 Listing Rules and Corporate Governance Code

During the six months ended 30 June 2022, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (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").

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Listing Rules and 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 2022.

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. Zhang Li (independent non-executive Director), Mr. Liu Xueming (non-executive Director) and Mr. Ma Shaohua (independent non-executive Director). Mr. Zhang Li 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 2022. 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 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

5. Material Litigation

Loan to Fast Express

During the period from 30 January 2018 to 6 February 2018, the Company provided loans in an aggregate amount of HK\$62,484,799 to Fast Express Trading Limited (“**Fast Express**”) for a loan term of 30 days from the date of provision of such loan. Subsequent to the maturity of such loans, Fast Express failed to repay the loans as scheduled. After that, on 30 June 2018, the Company signed a loan agreement with Merit Horizon Limited (“**Merit Horizon**”) (the “**Merit Horizon Loan Agreement**”), in which Merit Horizon agreed to repay the loans of Fast Express and all accrued interests since 1 July 2018 (the “**Merit Horizon Loan**”). On the even date, Ms. Fu Qiang (“**Ms Fu**”) executed a letter of guarantee in favour of the Company in respect of the Merit Horizon Loan Agreement (the “**Guarantee**”), pursuant to which Ms. Fu has provided a guarantee to the Company on her joint and several liability with Merit Horizon for the performance of the Merit Horizon Loan Agreement. As Merit Horizon and Ms. Fu failed to honour their respective contractual obligations under the Merit Horizon Loan Agreement and the Guarantee and therefore the Company took relevant legal actions against Merit Horizon and Ms. Fu as follows.

On 10 January 2022, the Company as the plaintiff filed a civil complaint (the “**Civil Complaint**”) at the Fourth Intermediate People’s Court of Beijing Municipality (北京市第四中級人民法院) against Merit Horizon and Ms. Fu as the defendants in relation to the breach of a loan agreement and a letter of guarantee, respectively. On 7 February 2022, considering relevant factors, the Company applied to the Fourth Intermediate People’s Court of Beijing Municipality for withdrawal of the Civil Complaint, which was approved on 17 February 2022.

On 7 February 2022, immediately after the Company applied for the Civil Complaint to be withdrawn, the Company further initiated an arbitration before the Hong Kong Arbitral Tribunal (the “**Tribunal**”) in relation to the breach of the Merit Horizon Loan Agreement, claiming against Merit Horizon for an aggregate amount of no less than HK\$97,948,090.47, being the principal, accrued interests and liquidated damages and arbitration costs as at 31 December 2021, for breach of the Merit Horizon Loan Agreement. On 22 July 2022, the Company received a consent interlocutory award (the “**Consent Interlocutory Award**”) from the Tribunal. The Tribunal decided and held that, having considered the available evidence, it appears from the prima facie evidence that the Tribunal has jurisdiction over the case, i.e. the arbitration initiated by the Company in relation to the breach of the Merit Horizon Loan Agreement by Merit Horizon and in which Glassy Mind Holdings Limited was added as a party by Merit Horizon. As at the date of this announcement, the arbitration proceedings are still in progress and no final arbitral award has been made.

The Company has also filed a report with the police force for the investigation of any wrongdoing which may have been committed in relation to the Merit Horizon Loan. To the understanding of the Company, the relevant police force is in the course of investigation in this regard.

Arbitration Proceedings against Beijing Lianzhong and Tianjin Zhongqi

On 30 May 2015, Beijing Lianzhong, a consolidated affiliated entity of the Company, entered into a cooperation agreement as supplemented by a supplemental agreement to the cooperation agreement dated 30 June 2016 (collectively, the “**Cooperation Agreements**”) with Tianjin Zhongqi Weiye Sports Development Co., Ltd. (天津中棋惟業體育發展有限公司) (“**Tianjin Zhongqi**”), an associate of the Company, and the Board and Card Games Administrative Center of the General Administration of Sport of China (國家體育總局棋牌運動管理中心) in respect of the Board and Card Integrated Business Internet Management Project (棋牌綜合業務網絡化管理項目).

In November 2021, Beijing Lianzhong and Tianjin Zhongqi received a notice of arbitration from the Beijing Arbitration Commission (北京仲裁委員會) enclosing an application for arbitration dated 22 October 2021 filed by the Board and Card Games Administrative Center of the General Administration of Sport of China (國家體育總局棋牌運動管理中心), the Chinese Weiqi Association (中國圍棋協會), the Chinese International Chess Association (中國國際象棋協會), the Chinese Chess Association (中國象棋協會), the Chinese Bridge Association (中國橋牌協會) and the Chinese International Checkers Association (中國國際跳棋協會) (collectively known as the “**Applicants**”) with the Beijing Arbitration Commission against Beijing Lianzhong (as the first respondent) and Tianjin Zhongqi (as the second respondent) for a claim of damages in respect of the arbitration proceedings and the aggregate amount of damages claimed by the Applicants is approximately RMB90 million. As at the date of this announcement, the arbitration proceedings are still in progress and no arbitral award has been made.

Further details of the arbitration proceedings are set out in the Company’s announcement dated 3 December 2021.

Save as disclosed above, the Group was not involved in any other material legal proceedings or arbitrations during the six months ended 30 June 2022.

6. Interim Dividend

The Board does not declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS:			
Revenue	4	72,693	58,607
Cost of revenue		<u>(35,546)</u>	<u>(34,401)</u>
Gross profit		37,147	24,206
Other income	5	4,888	1,603
Selling and marketing expenses		(14,511)	(7,262)
Administrative expenses		(67,921)	(66,854)
Share-based compensation expense		(5,456)	(6,666)
Research and development expenses		(8,469)	(11,570)
Finance costs		(2,358)	(3,792)
Gain on disposal of associate		—	7,608
Gain on disposal of financial assets at fair value through profit or loss		—	110
Gain on conversion/redemption of convertible notes		—	5,916
Impairment of assets	6	<u>(1,502)</u>	<u>(381)</u>
Loss before income tax from continuing operations	7	(58,182)	(57,082)
Income tax expense	8	<u>(1)</u>	<u>(3,365)</u>
Loss for the period from continuing operations		<u>(58,183)</u>	<u>(60,447)</u>
DISCONTINUED OPERATIONS:			
Profit after tax for the period from discontinued operations	19	<u>—</u>	<u>29,825</u>
Loss for the period		<u>(58,183)</u>	<u>(30,622)</u>
Other comprehensive income/(loss) for the period			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		<u>43,751</u>	<u>(5,543)</u>
Total comprehensive loss for the period		<u>(14,432)</u>	<u>(36,165)</u>

		Six months ended 30 June	
		2022	2021
<i>Notes</i>		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to:			
Equity holders of the Company			
— Continuing operations		(25,610)	(35,029)
— Discontinued operations		—	27,237
		<u>(25,610)</u>	<u>(7,792)</u>
Non-controlling interests			
— Continuing operations		(32,573)	(25,418)
— Discontinued operations		—	2,588
		<u>(32,573)</u>	<u>(22,830)</u>
		<u>(58,183)</u>	<u>(30,622)</u>
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company			
— Continuing operations		(2,747)	(38,140)
— Discontinued operations		—	27,237
		<u>(2,747)</u>	<u>(10,903)</u>
Non-controlling interests			
— Continuing operations		(11,685)	(27,850)
— Discontinued operations		—	2,588
		<u>(11,685)</u>	<u>(25,262)</u>
		<u>(14,432)</u>	<u>(36,165)</u>
(Loss)/Earnings per share			
(expressed in RMB cents per share)			
Basic (loss)/earnings per share			
	<i>10</i>		
— From continuing operations		(2.38)	(3.33)
— From discontinued operations		—	2.59
		<u>(2.38)</u>	<u>(0.74)</u>
Diluted (loss)/earnings per share			
	<i>10</i>		
— From continuing operations		(2.38)	(3.33)
— From discontinued operations		—	2.59
		<u>(2.38)</u>	<u>(0.74)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	20,644	29,640
Right-of-use assets		16,754	20,527
Investment properties		2,900	2,900
Digital assets	<i>12</i>	428	—
Intangible assets	<i>13</i>	1,810	2,411
Financial assets at fair value through profit or loss	<i>15</i>	46,341	48,615
		88,877	104,093
Current assets			
Inventories		515	565
Trade and other receivables	<i>16</i>	60,057	53,823
Loans to third parties	<i>14</i>	—	—
Financial assets at fair value through profit or loss	<i>15</i>	—	7,577
Income tax receivables		231	—
Restricted bank balances		36,542	34,897
Bank balances and cash		605,800	609,070
		703,145	705,932

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	17	40,118	48,091
Deferred revenue		18,965	16,571
Lease liabilities		8,494	7,457
Income tax liabilities		<u>—</u>	<u>188</u>
		<u>67,577</u>	<u>72,307</u>
Net current assets		<u>635,568</u>	<u>633,625</u>
Total assets less current liabilities		<u>724,445</u>	<u>737,718</u>
Non-current liabilities			
Lease liabilities		<u>46,100</u>	<u>49,731</u>
		<u>46,100</u>	<u>49,731</u>
Net assets		<u><u>678,345</u></u>	<u><u>687,987</u></u>
EQUITY			
Share capital		335	335
Reserves		<u>281,299</u>	<u>279,256</u>
Equity attributable to equity holders of the Company		281,634	279,591
Non-controlling interests		<u>396,711</u>	<u>408,396</u>
Total equity		<u><u>678,345</u></u>	<u><u>687,987</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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.

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**”/“**Lianzhong Group**”) and the United States (the “**US**”/“**AESE Group**”). 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 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”.

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 2021 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 2021.

The restatement in Note 7 was due to correction of prior period errors on employee benefit expenses presentation and do not have any effect to the Group’s consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021.

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 2021.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following amended IFRSs effective as of 1 January 2022. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board to this interim financial report for the current accounting period:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments update the reference in IFRS 3 to the latest version of “Conceptual Framework for Financial Reporting” issued in March 2018, and add an exception to the requirement for an entity to refer to “Conceptual Framework for Financial Reporting” to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or IFRIC-Int 21 “Levies” if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should apply the criteria in IAS 37 or IFRIC-Int 21 respectively (instead of the “Conceptual Framework for Financial Reporting”) to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 January 2022 and apply prospectively. The amendments have no impact on the condensed consolidated interim financial statements because there are no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the six months ended 30 June 2022.

Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with IAS 2 “Inventories”.

Besides, the amendments also clarify the meaning of “testing whether an asset is functioning properly” and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities.

Amendments to IAS 16 are effective for annual period beginning on or after 1 January 2022 and apply retrospectively, but only to items of property, plant and equipment that are available for intended use by management on or after the beginning of the earliest period presented in the condensed consolidated interim financial statements in which the Group first applies to the amendments.

The amendments have no impact on the condensed consolidated interim financial statements as there are no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period (i.e. date of initial application).

The amendments have no impact on the condensed consolidated interim financial statements as there are no onerous contracts during the six months ended 30 June 2022.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements to IFRS Standards 2018–2020 include a number of amendments to various IFRSs, which are summarised below.

Amendments to IFRS 1 provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company’s date of transitions to IFRSs) if a subsidiary adopts IFRSs later than its parent company and applies paragraph D16(a) of IFRS 1.

Amendments to IFRS 9 clarify that, for the purpose of applying the “10 per cent” test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to illustrative example 13 accompanying IFRS 16 remove the illustration of the reimbursement of leasehold improvements by the lessor from the example as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

Amendments to IAS 41 remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual period beginning on or after 1 January 2022. The amendments to IFRS 16 only regard an illustrative example, so no effective date is stated. The annual improvements have no impact on the condensed consolidated interim financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

Continuing operations

Revenue from contract with customers

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Lianzhong Group		
— Online games revenue	49,575	50,027
AESE Group		
— In-person revenue	21,580	7,585
— Multiplatform content revenue	1,538	995
	<u>72,693</u>	<u>58,607</u>

Timing of revenue recognition:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At a point in time	59,141	56,189
Over time	13,552	2,418
	<u>72,693</u>	<u>58,607</u>

Revenue from external customers recognised under discontinued operation in Note 19 is as follows:

Discontinued operations

Revenue from contract with customers

	Six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)
Disposal Group	
— In-person revenue	5,586
— Multiplatform content revenue	24,933
— Interactive revenue	<u>48,301</u>
	<u><u>78,820</u></u>

Timing of revenue recognition:

	Six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)
At a point in time	20,473
Over time	<u>58,347</u>
	<u><u>78,820</u></u>

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	<u>92</u>	<u>641</u>
Other net income		
Bad debt recovery of loan to third party	4,500	—
Subsidy income from government	2	—
Sundry income	<u>294</u>	<u>962</u>
	<u>4,796</u>	<u>962</u>
	<u><u>4,888</u></u>	<u><u>1,603</u></u>

6. IMPAIRMENT OF ASSETS

Six months ended 30 June

2022	2021
RMB'000	RMB'000
(Unaudited)	(Unaudited)

Inventories	—	41
Trade and other receivables	437	340
Digital assets	<u>1,065</u>	<u>—</u>
Total	<u>1,502</u>	<u>381</u>

7. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

Loss before income tax from continuing operations is arrived at after charging/(crediting):

Six months ended 30 June

2022	2021
RMB'000	RMB'000
(Unaudited)	(Unaudited)
	(restated)

Employee benefit expenses

Salaries, bonus and allowances	28,598	24,639
Retirement benefit scheme contributions	3,955	5,075
Severance payments	5,019	—
Share-based compensation expense	<u>5,456</u>	<u>6,666</u>
	<u>43,028</u>	<u>36,380</u>

Other items

Lease charges related to short-term leases	181	216
Depreciation:		
— Owned assets	11,257	10,993
— Right-of-use assets	<u>2,786</u>	<u>4,101</u>
Total depreciation	<u>14,043</u>	<u>15,094</u>
Amortisation of intangible assets	<u>609</u>	<u>1,031</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC enterprise income tax		
— Current period	<u>1</u>	<u>3,365</u>
Income tax expense	<u>1</u>	<u>3,365</u>

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share for the six months ended 30 June is calculated by dividing the (loss)/profit 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	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to equity holders of the Company (in RMB'000)		
— Continuing operations	(25,610)	(35,029)
— Discontinued operations	<u>—</u>	<u>27,237</u>
	<u>(25,610)</u>	<u>(7,792)</u>
Weighted average number of ordinary shares in issue during the period (Note (i))	<u>1,075,797,581</u>	<u>1,051,666,542</u>
Basic (loss)/earnings per share (in RMB cents per share)		
— From continuing operations	(2.38)	(3.33)
— From discontinued operations	<u>—</u>	<u>2.59</u>
	<u>(2.38)</u>	<u>(0.74)</u>

(b) Diluted (loss)/earnings per share from continuing operations and discontinued operation

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

For the six months ended 30 June 2022, the Company has six categories of dilutive ordinary shares, being the Company's share option schemes, options, warrants, restricted common shares, unit purchase options and contingent consideration shares issued by a subsidiary of the Company. The impacts had anti-dilutive effect on the basic loss per share amounts presented.

For the six months ended 30 June 2021, the Company has seven categories of dilutive ordinary shares, being the Company's share option schemes, options, warrants, restricted common shares, convertible notes, unit purchase options and contingent consideration shares issued by a subsidiary of the Company. The impacts had anti-dilutive effect on the basic loss per share amounts presented.

Note:

(i) Weighted average number of ordinary shares in issue

The calculation of weighted average number of ordinary shares in issue during the period is based on outstanding ordinary shares less weighted average number of ordinary shares repurchase of ordinary shares for the Share Award Scheme.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a cost of RMB1,561,000 (six months ended 30 June 2021: RMB1,547,000).

12. DIGITAL ASSETS

During the six months ended 30 June 2022, there was addition to digital assets acquired amounted to RMB266,000 and being accepted as a form of payment of sale of non-fungible tokens (“NFT”) by the amount of RMB1,478,000 (six months ended 30 June 2021: Nil).

13. INTANGIBLE ASSETS

During the six months ended 30 June 2022, there was no additions to intangible assets acquired (six months ended 30 June 2021: RMB2,828,000).

14. LOANS TO THIRD PARTIES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Current portion		
Loans	43,737	48,237
Interest receivables	<u>1,843</u>	<u>1,843</u>
	45,580	50,080
Less: ECL allowance	<u>(45,580)</u>	<u>(50,080)</u>
	<u>—</u>	<u>—</u>

As at 31 December 2021 and 30 June 2022, the loans to third parties of RMB48,237,000 and RMB43,737,000 become due within next 12 months and are included in the current portion respectively. The amount comprises of:

- (i) RMB26,452,000 loan secured by a personal guarantee of Ms. Fu Qiang, a former non-executive director of the Company, with interest rate of 5.5% per annum. To recover the relevant loans, the Company has taken various measures, including initiating an arbitration and filing a report with the police force for investigation. For details, please refer to section “Material Litigation” disclosed in “Corporate Governance and Other Information” in this announcement;
- (ii) RMB13,285,000 unsecured loan with interest rate of 1% annum;
- (iii) RMB4,000,000 was secured by unlisted equity interest in companies of the debtors incorporated in the PRC with interest rate 4.75% per annum (31 December 2021: RMB8,500,000 was 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). During the six months ended 30 June 2022, the loan to third party amounted to RMB4,500,000 has been recovered.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Included in non-current assets		
Unlisted equity investments	46,341	48,615
Included in current assets		
Unlisted equity investments	<u>—</u>	<u>7,577</u>
	<u>46,341</u>	<u>56,192</u>

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables		
From third parties	3,384	7,226
Less: ECL allowance	<u>(907)</u>	<u>(943)</u>
	<u>2,477</u>	<u>6,283</u>
Other receivables		
Deposits, prepayments and other receivables	62,568	52,271
Advances to employees	303	371
Loan to an ex-director of a subsidiary	<u>4,637</u>	<u>4,637</u>
	67,508	57,279
Less: ECL allowance	<u>(9,928)</u>	<u>(9,739)</u>
	<u>57,580</u>	<u>47,540</u>
	<u>60,057</u>	<u>53,823</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 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
0–30 days	2,445	3,533
31–60 days	77	1,073
61–90 days	44	961
91–180 days	75	756
181–365 days	160	300
Over 1 year	<u>583</u>	<u>603</u>
	<u>3,384</u>	<u>7,226</u>

The movement in the ECL allowance is as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Year ended 31 December 2021 RMB'000 (Audited)
At the beginning of the period/year	943	544
ECL allowance recognised	80	444
Amount written off during the period	<u>(116)</u>	<u>(45)</u>
At the end of the period/year	<u><u>907</u></u>	<u><u>943</u></u>

The Group applies the 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.

17. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables		
To third parties	<u>4,918</u>	<u>10,053</u>
Other payables		
Other payables and accrued charges	18,462	20,472
Staff costs and welfare accruals	<u>16,738</u>	<u>17,566</u>
	<u>35,200</u>	<u>38,038</u>
	<u><u>40,118</u></u>	<u><u>48,091</u></u>

All amounts are short-term and hence the carrying values of trade and other payables as at 30 June 2022 and 31 December 2021 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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0–30 days	2,325	5,271
31–60 days	—	534
61–90 days	—	600
91–180 days	—	288
181–365 days	—	720
Over 1 year	<u>2,593</u>	<u>2,640</u>
	<u>4,918</u>	<u>10,053</u>

18. COMMITMENTS

Lease commitments

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within one year	<u>337</u>	<u>413</u>

19. DISCONTINUED OPERATIONS

- (a) Profit for the six months ended 30 June 2021 from discontinued operations of the Disposal Group are as follows:

	Six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)
Revenue	78,820
Cost of revenue	<u>(25,307)</u>
Gross profit	53,513
Other income	4,465
Selling and marketing expenses	(3,203)
Administrative expenses	(23,710)
Share-based compensation expense	—
Finance costs	<u>(1,240)</u>
Profit before income tax	29,825
Income tax expense	<u>—</u>
Profit after tax for the period	<u><u>29,825</u></u>

- (b) The cash flows of discontinued operations of the Disposal Group are as follows:

	Six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)
Net cash flows from operating activities	19,523
Net cash flows used in investing activities	(9,477)
Net cash flows used in financing activities	<u>(7,499)</u>
Net cash flows inflows	<u><u>2,547</u></u>

20. CONTINGENT LIABILITIES

- (a) On 30 May 2015, Beijing Lianzhong, a consolidated affiliated entity of the Company, entered into a cooperation agreement as supplemented by a supplemental agreement to the cooperation agreement dated 30 June 2016 (collectively, the “**Cooperation Agreements**”) with Tianjin Zhongqi Weiye Sports Development Co., Ltd. (天津中棋惟業體育發展有限公司) (“**Tianjin Zhongqi**”), an associate of the Company, and the Board and Card Games Administrative Center of the General Administration of Sport of China (國家體育總局棋牌運動管理中心) in respect of the Board and Card Integrated Business Internet Management Project (棋牌綜合業務網絡化管理項目).

In November 2021, Beijing Lianzhong and Tianjin Zhongqi received a notice of arbitration from the Beijing Arbitration Commission (北京仲裁委員會) enclosing an application for arbitration dated 22 October 2021 filed by the Board and Card Games Administrative Center of the General Administration of Sport of China (國家體育總局棋牌運動管理中心), the Chinese Weiqi Association (中國圍棋協會), the Chinese International Chess Association (中國國際象棋協會), the Chinese Chess Association (中國象棋協會), the Chinese Bridge Association (中國橋牌協會) and the Chinese International Checkers Association (中國國際跳棋協會) (collectively known as the “**Applicants**”) with the Beijing Arbitration Commission against Beijing Lianzhong (as the first respondent) and Tianjin Zhongqi (as the second respondent) for a claim of damages in respect of the arbitration proceedings and the aggregate amount of damages claimed by the Applicants is approximately RMB90 million. As at the date of this announcement, the arbitration proceedings are still in progress and no arbitral award has been made.

Further details of the arbitration proceedings are set out in the Company’s announcement dated 3 December 2021.

According to the legal advice, it is not probable that the above claims against Beijing Lianzhong to be successful. Therefore, the directors of the Company do not expect the outcome of the legal claim to have a material effect on the Group’s financial statements.

- (b) In February 2021, a service provider commenced a litigation against Beijing Lianzhong for repayment of service fees and other expenses amounted to RMB3,045,000. During the legal proceeding, an amount of RMB3,045,000 in Beijing Lianzhong’s bank account was frozen by the court. This amount was included in the Group’s restricted bank balances as at 30 June 2022 and 31 December 2021. As at 30 June 2022, according to the legal advice, it is probable that Beijing Lianzhong will win the case and no repayment or compensation is expected. The directors of the Company do not expect the outcome of the litigation to have a material effect on the Group’s financial statements.

21. EVENTS AFTER THE REPORTING DATE

Regarding the litigation as disclosed in Note 20(b), on 17 August 2022, the court made a final judgment that Beijing Lianzhong won the case and no prepayment or compensation was required to be made by Beijing Lianzhong to the service provider. The service provider was demanded by the court to repay Beijing Lianzhong part of the service fees of a net amount of RMB700,000. Beijing Lianzhong has submitted an application to the court requesting the release of the related frozen bank account.

The directors of the Company do not consider the outcome of the litigation to have a material effect on the Group’s financial statements.

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 2022 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
Lu Jingsheng
Chief Executive Officer and Executive Director

Hong Kong, 31 August 2022

As at the date of this announcement, the Board comprises Mr. Lu Jingsheng as executive Director; Mr. Li Yangyang, Mr. Liu Jiang, Mr. Liu Xueming, Ms. Gao Liping and Mr. Hua Yumin as non-executive Directors, and Mr. Ma Shaohua, Mr. Zhang Li and Mr. Guo Yushi as independent non-executive Directors.

* *For identification purpose only*