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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 2022 ANNUAL RESULTS OF ALLIED GAMING & ENTERTAINMENT INC.

Allied Gaming & Entertainment Inc. (formerly known as Allied Esports Entertainment Inc.) (“AGAE”), an indirect non-wholly owned subsidiary of Ourgame International Holdings Limited (the “**Company**”), published its annual report for the year ended December 31, 2022.

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.

On March 24, 2023 (U.S. time), AGAE, an indirect non-wholly owned subsidiary of the Company, published its annual report for the year ended December 31, 2022. AGAE’s shares are listed on Nasdaq Stock Market.

The following summary of major financial data of AGAE for the years ended December 31, 2021 and 2022 was prepared in accordance with the Generally Accepted Accounting Principles of the United States (“U.S. GAAP”) and had been audited by its accountants:

	For the Years Ended	
	December 31,	
	<u>2022</u>	<u>2021</u>
	<i>U.S.\$</i>	<i>U.S.\$</i>
Revenues		
In-person	6,100,912	4,201,259
Multiplatform content	251,558	754,781
Total Revenues	<u>6,352,470</u>	<u>4,956,040</u>
Costs and Expenses		
In-person (exclusive of depreciation and amortization)	4,994,610	3,688,527
Multiplatform content (exclusive of depreciation and amortization)	109,563	386,723
Selling and marketing expenses	234,813	294,417
General and administrative expenses	10,482,421	13,052,963
Depreciation and amortization	2,065,348	3,305,895
Impairment of property and equipment	67,500	—
Impairment of digital assets	164,411	—
Total Costs and Expenses	<u>18,118,666</u>	<u>20,728,525</u>
Loss from Operations	<u>(11,766,196)</u>	<u>(15,772,485)</u>
Other Income (Expense)		
Gain on forgiveness of PPP loans and interest	—	912,475
Other income, net	153,009	68,917
Interest income (expense), net	789,302	(268,752)
Total Other Expense	<u>942,311</u>	<u>712,640</u>
Loss from Continuing Operations	<u>(10,823,885)</u>	<u>(15,059,845)</u>
Income from discontinued operations	—	66,741
Gain on sale of WPT	—	77,858,835
Income from Discontinued Operations, net of tax	<u>—</u>	<u>77,925,576</u>
Net (Loss) Income	<u>(10,823,885)</u>	<u>62,865,731</u>

Items	As at December 31, 2022 U.S.\$	As at December 31, 2021 U.S.\$
Total Assets	<u>97,729,675</u>	<u>105,803,672</u>
Total Liabilities	<u>9,825,607</u>	<u>7,156,865</u>
Total Stockholders' Equity	<u>87,904,068</u>	<u>98,646,807</u>

EXPLANATION ON THE OPERATING RESULTS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenues

In-person experience revenues increased by approximately \$1.9 million, or 45%, to approximately \$6.1 million for the year ended December 31, 2022 from approximately \$4.2 million for the year ended December 31, 2021. The increase of in-person experience revenues was driven by (a) a \$1.1 million increase in sponsorship revenue from a new contract entered into in the first quarter of 2022, (b) a \$0.4 million increase in food and beverage, ticket and gaming and merchandising revenue primarily attributable to the removal of COVID-19 pandemic-related capacity restrictions at the AGAE's HyperX Esports Arena in Las Vegas on June 1, 2021, and (c) a \$0.4 million increase in event revenue. The \$0.4 million increase in event revenue included a \$1.1 million increase in studio and truck rental revenue, \$0.3 million increase in HyperX Esports Arena event revenue primarily attributable to larger events occurring in 2022 compared to 2021 and a \$1.0 million decrease in rental revenue that was driven by a new contract entered into in 2021 that did not renew in 2022.

Multiplatform content revenues decreased by approximately \$504 thousand, or 67%, to approximately \$251 thousand for the year ended December 31, 2022 from approximately \$755 thousand for the year ended December 31, 2021. The decrease of multiplatform content revenues was driven by a contract entered into in the second quarter of 2021 that did not renew in 2022.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) increased by approximately \$1.3 million, or 35%, to approximately \$5.0 million for the year ended December 31, 2022 from approximately \$3.7 million for the year ended December 31, 2021. The increase of in-person costs was driven by (a) a \$1.8 million increase in event costs resulting from larger events and additional tournaments with higher payouts primarily attributable to the removal of COVID-19 pandemic-related capacity restrictions at the AGAE's HyperX Esports Arena in Las Vegas on June 1, 2021, and (b) \$0.4 million of higher truck costs resulting from the additional truck stops for AGAE's NASCAR events. This was offset by a decrease of \$0.9 million in production costs driven by the new contract entered into in 2021 which did not renew in 2022.

Multiplatform content costs (exclusive of depreciation and amortization) decreased by approximately \$277 thousand, or 72%, to approximately \$110 thousand for the year ended December 31, 2022 from approximately \$387 thousand for the year ended December 31, 2021. The decrease in multiplatform content costs corresponds to higher costs in the second quarter of 2021 resulting from a new contract that did not renew in 2022. This was partially offset by an increase in costs associated with the sale of NFT for the year ended December 31, 2022.

Selling and marketing expenses decreased by approximately \$59 thousand, or 20%, to approximately \$235 thousand for the year ended December 31, 2022 from approximately \$294 thousand for the year ended December 31, 2021. The decrease in selling and marketing expenses was driven by higher expenses in 2021 as AGAE increased marketing efforts to increase awareness of the HyperX Esports Arena in Las Vegas reopening to full capacity.

General and administrative expenses decreased by approximately \$2.6 million, or 20%, to approximately \$10.5 million for the year ended December 31, 2022 from approximately \$13.1 million for the year ended December 31, 2021. The decrease in general and administrative expenses resulted from higher expenses during the year ended December 31, 2021 as follows: (i) \$1.1 million in stock-based compensation from the issuance of director grants and restricted stock units issued to AGAE's former CEO during 2021; (ii) \$0.7 million in legal and professional fees related to the sale of WPT; (iii) \$1.1 million in corporate payroll and bonus; and (iv) \$0.1 million in other general and administrative expenses. The decrease in corporate payroll expense from 2021 was offset by a \$0.4 million increase in 2022 severance benefit expenses incurred in connection with the termination of AGAE's former CEO.

Depreciation and amortization decreased by approximately \$1.2 million, or 38%, to approximately \$2.1 million for the year ended December 31, 2022, from approximately \$3.3 million for the year ended December 31, 2021. The decrease was primarily due to an out-of-period adjustment of \$0.6 million to correct the amortization of leasehold improvements in prior periods.

Impairment of property and equipment was approximately \$68 thousand for the year ended December 31, 2022 compared to \$0 for the year ended December 31, 2021. The impairment was resulted from management's determination that the projected cash flows from certain equipment will not be sufficient to recover the carrying value of those assets.

AGAE recognized an impairment of digital assets of approximately \$164 thousand for the year ended December 31, 2022. The impairment loss was a result of the market price on active exchanges falling below the carrying value of the digital assets. AGAE did not have any Ether or other digital assets on the books during the year ended December 31, 2021.

Gain on forgiveness of PayCheck Protection Program ("PPP") loans and interest

AGAE recognized a gain on the full forgiveness of the PPP loans and related interest of approximately \$912 thousand during the year ended December 31, 2021.

Other income, net

AGAE recognized other income, net, of approximately \$153 thousand for the year ended December 31, 2022, compared to approximately \$69 thousand recorded for the year ended December 31, 2021. The increase was due to the reversal of an income tax payable that was no longer due. This was slightly offset by changes in the fair value of the warrant liability in 2022.

Interest income (expense), net

Interest income (expense), net was approximately \$0.8 million and approximately \$(0.3) million for the years ended December 31, 2022 and 2021, respectively, representing an increase of interest income of approximately \$1.1 million, or 394%. The decrease in interest expense was a result of the use of the proceeds of the sale of WPT to offset the principal balance of notes payable and convertible notes outstanding during the period. Interest income for the year ended December 31, 2022 was a result of interest earned on the cash received from the sale of WPT.

Results of Discontinued Operations

AGAE recognized income from discontinued operations, net of tax, of approximately \$77.9 million during the year ended December 31, 2021, primarily as a result of the sale of the WPT business on July 12, 2021.

Please refer to the Form 10-K published by AGAE 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 AGAE contained in the Form 10-K 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-K is not directly comparable to the financial results of AGAE as reflected in the consolidated financial results that the Company discloses. Consequently, the Company offers no assurance that the financial results of AGAE for the year ended December 31, 2022 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, March 25, 2023

As at the date of this announcement, the Board comprises Mr. Lu Jingsheng as executive director; Mr. Liu Xueming, Ms. Gao Liping, Mr. Hua Yumin, Ms. Yu Bing, Ms. Wang Ruyuan, Mr. Wang Runqun and Ms. Xiao Yundan as non-executive directors, and Mr. Ma Shaohua, Mr. Zhang Li, Mr. Guo Yushi and Mr. Dai Bing as independent non-executive directors.

* *For identification purpose only*