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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 2023 INTERIM RESULTS AND FINANCIAL RESULTS FOR THE SECOND QUARTER OF ALLIED GAMING & ENTERTAINMENT INC.

Allied Gaming & Entertainment Inc. (“AGAE”), an indirect non-wholly owned subsidiary of Ourgame International Holdings Limited (the “Company”), published its interim results for the six months ended June 30, 2023 and the financial results for the three months ended June 30, 2023.

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 10, 2023 (U.S. time), AGAE, an indirect non-wholly owned subsidiary of the Company, published its interim results for the six months ended June 30, 2023 and the financial results for the three months ended June 30, 2023. AGAE’s shares are listed on Nasdaq Stock Market.

The following summary of major financial data of AGAE for the six months ended June 30, 2022 and 2023 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,	
	2023	2022
	<i>U.S.\$</i>	<i>U.S.\$</i>
	(unaudited)	(unaudited)
Revenues		
In-person	2,461,103	2,182,437
Multiplatform content	<u>2,000,424</u>	<u>1,387,451</u>
Total Revenues	<u>4,461,527</u>	<u>3,569,888</u>
Costs and Expenses		
In-person (exclusive of depreciation and amortization)	1,316,053	1,672,288
Multiplatform content (exclusive of depreciation and amortization)	1,517,707	989,876
Selling and marketing expenses	121,539	131,169
General and administrative expenses	4,766,372	6,364,292
Depreciation and amortization	790,778	1,616,845
Impairment of digital assets	<u>—</u>	<u>164,411</u>
Total Costs and Expenses	<u>8,512,449</u>	<u>10,938,881</u>
Loss from Operations	<u>(4,050,922)</u>	<u>(7,368,993)</u>
Other Income (Expense)		
Other income (expense), net	16,342	(79,932)
Interest income, net	<u>1,449,575</u>	<u>8,777</u>
Total Other Income (Expense)	<u>1,465,917</u>	<u>(71,155)</u>
Net loss	<u>(2,585,005)</u>	<u>(7,440,148)</u>

Items

	As at June 30, 2023 U.S.\$ (unaudited)	As at December 31, 2022 U.S.\$ (audited)
Total Assets	<u>93,124,610</u>	<u>97,729,675</u>
Total Liabilities	<u>9,606,076</u>	<u>9,825,607</u>
Total Stockholders' Equity	<u>83,518,534</u>	<u>87,904,068</u>

The following summary of major financial data of AGAE for the three months ended June 30, 2022 and 2023 were prepared in accordance with the U.S. GAAP:

	For the Three Months Ended	
	June 30,	
	2023	2022
	<i>U.S.\$</i>	<i>U.S.\$</i>
	(unaudited)	(unaudited)
Revenues		
In-person	1,267,773	1,129,371
Multiplatform content	<u>2,000,322</u>	<u>28,463</u>
Total Revenues	<u>3,268,095</u>	<u>1,157,834</u>
Costs and Expenses		
In-person (exclusive of depreciation and amortization)	643,831	933,314
Multiplatform content (exclusive of depreciation and amortization)	1,517,311	43,364
Selling and marketing expenses	66,941	62,131
General and administrative expenses	2,223,025	2,766,422
Depreciation and amortization	212,218	808,233
Impairment of digital assets	<u>—</u>	<u>164,411</u>
Total Costs and Expenses	<u>4,663,326</u>	<u>4,777,875</u>
Loss from Operations	<u>(1,395,231)</u>	<u>(3,620,041)</u>
Other Income (Expense)		
Other expense, net	(11,113)	(73,225)
Interest income, net	<u>715,126</u>	<u>4,315</u>
Total Other Income (Expense)	<u>704,013</u>	<u>(68,910)</u>
Net loss	<u><u>(691,218)</u></u>	<u><u>(3,688,951)</u></u>

EXPLANATION ON THE OPERATING RESULTS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenues

In-person revenues increased by approximately \$0.3 million, or 13%, to approximately \$2.5 million for the six months ended June 30, 2023 from approximately \$2.2 million for the six months ended June 30, 2022. The increase of in-person revenues was driven by a \$0.5 million increase in sponsorship revenue related to a new naming rights agreement for AGAE's HyperX Arena in Las Vegas. This was slightly offset by a \$0.2 million decrease in event revenue due to a decrease in HyperX Arena events in 2023.

Multiplatform revenues increased by approximately \$0.6 million, or 44%, to approximately \$2.0 million for the six months ended June 30, 2023, from approximately \$1.4 million for the six months ended June 30, 2022. The increase in multiplatform revenues was the result of additional revenue generated from season 2 of "Elevated", a live streaming event which had 10 episodes in 2023 compared to 4 episodes in 2022.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$0.4 million, or 21%, to approximately \$1.3 million for the six months ended June 30, 2023 from approximately \$1.7 million for the six months ended June 30, 2022. The decrease corresponds to the decrease in event revenue described above.

Multiplatform costs (exclusive of depreciation and amortization) increased by approximately \$0.5 million, or 53%, to approximately \$1.5 million for the six months ended June 30, 2023 from approximately \$1.0 million for the six months ended June 30, 2022. The increase in multiplatform costs corresponds to the increase in revenue as discussed above.

Selling and marketing expenses decreased by approximately \$9 thousand, or 7%, to approximately \$122 thousand for the six months ended June 30, 2023 from approximately \$131 thousand for the six months ended June 30, 2022.

General and administrative expenses decreased by approximately \$1.6 million, or 25%, to approximately \$4.8 million for the six months ended June 30, 2023, from approximately \$6.4 million for the six months ended June 30, 2022. The decrease in general and administrative expenses was resulted primarily from higher expenses during the six months ended June 30, 2022, including \$0.6 million of payroll and payroll related costs, \$0.7 million of severance costs incurred in connection with the resignation of AGAE's former Chief Executive Officer ("CEO"), and a \$0.6 million of stock-based compensation related to the accelerated vesting of options previously granted to the former CEO. These decreases were slightly offset by a \$0.3 million increase in legal and audit fees related to various employment and service providers transition matters.

Depreciation and amortization decreased by approximately \$0.8 million, or 51%, to approximately \$0.8 million for the six months ended June 30, 2023, from approximately \$1.6 million for the six months ended June 30, 2022. The decrease was primarily due to production equipment of approximately \$7.0 million that became fully depreciated on March 31, 2023. The decrease also included the amortization of leasehold improvements that occurred in the second quarter of 2022 that was corrected as an out-of-period adjustment in the third quarter of 2022.

Impairment in digital assets decreased to \$0 for the six months ended June 30, 2023, compared to approximately \$164 thousand for the six months ended June 30, 2022. The impairment loss during 2022 was the result of the market price on active exchanges going below the carrying value of the digital assets. The market price has not gone below the carrying value of the digital assets during the six months ended June 30, 2023.

Other income (expense)

AGAE recognized other income of approximately \$16 thousand during the six months ended June 30, 2023 compared to approximately \$80 thousand of other expense recorded for the six months ended June 30, 2022.

Interest income

Interest income was approximately \$1.5 million for the six months ended June 30, 2023 compared to approximately \$9 thousand for the six months ended June 30, 2022. The increase was a result of the interest earned on short-term investments purchased during the fourth quarter of 2022.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenues

In-person revenues increased by approximately \$0.1 million, or 12%, to approximately \$1.3 million for the three months ended June 30, 2023 from approximately \$1.1 million for the three months ended June 30, 2022. The increase of in-person revenues was driven by a \$0.3 million increase in sponsorship revenue related to a new naming rights agreement for AGAE's HyperX Arena in Las Vegas. This was slightly offset by a \$0.2 million decrease in event revenue.

Multiplatform revenues increased by approximately \$2.0 million for the three months ended June 30, 2023 from approximately \$0.03 million for the three months ended June 30, 2022 to approximately \$2.0 million for the three months ended June 30, 2023. The increase in multiplatform revenues was the result of an increase in sponsorship revenue related to the timing of a live streaming event for "Elevated" in which season 1 occurred in the first quarter of 2022 and season 2 occurred in the second quarter of 2023.

Costs and expenses

In-person costs (exclusive of depreciation and amortization) decreased by approximately \$0.3 million, or 31%, to approximately \$0.6 million for the three months ended June 30, 2023 from approximately \$0.9 million for the three months ended June 30, 2022. The decrease corresponds to the decrease in event revenue described above.

Multiplatform costs (exclusive of depreciation and amortization) increased by approximately \$1.5 million, or 3,428%, to approximately \$1.5 million for the three months ended June 30, 2023 from approximately \$0.04 million for the three months ended June 30, 2022. The increase in multiplatform costs relates primarily to the production and delivery of the aforementioned live streaming event.

Selling and marketing expenses increased by approximately \$5 thousand, or 8%, to approximately \$67 thousand for the three months ended June 30, 2023 from approximately \$62 thousand for the three months ended June 30, 2022.

General and administrative expenses decreased by approximately \$0.5 million, or 20%, to approximately \$2.2 million for the three months ended June 30, 2023, from approximately \$2.8 million for the three months ended June 30, 2022. The decrease in general and administrative expenses was primarily attributable to a reduction in payroll and payroll related costs as well as stock-based compensation.

Depreciation and amortization decreased by approximately \$0.6 million, or 74%, to approximately \$0.2 million for the three months ended June 30, 2023, from approximately \$0.8 million for the three months ended June 30, 2022. The decrease was primarily due to production equipment of approximately \$7.0 million that became fully depreciated on March 31, 2023 in addition to amortization of leasehold improvements that occurred in the second quarter of 2022 that was corrected as an out-of-period adjustment in the third quarter of 2022.

Impairment in digital assets decreased to \$0 for the three months ended June 30, 2023, compared to approximately \$164 thousand for the three months ended June 30, 2022. The impairment loss during the second quarter of 2022 was the result of the market price on active exchanges going below the carrying value of the digital assets. The market price has not gone below the carrying value of the digital assets during the three months ended June 30, 2023.

Other expense

AGAE recognized other expense of approximately \$11 thousand during the three months ended June 30, 2023 compared to approximately \$73 thousand recorded for the three months ended June 30, 2022.

Interest income

Interest income was approximately \$715 thousand for the three months ended June 30, 2023 compared to approximately \$4 thousand for the three months ended June 30, 2022. The increase was a result of the interest earned on short-term investments purchased during the fourth quarter of 2022.

The financial results of AGAE 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 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 six months ended June 30, 2023 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 11, 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*