THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ourgame International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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)

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO PROPOSED DISPOSAL OF
THE ENTIRE EQUITY INTERESTS OF CLUB SERVICES, INC.

A notice convening the EGM to be held at the Conference Room, 10/F, Tower B Fairmont, No. 1 Building, 33# Community, Guangshun North Street, Chaoyang District, Beijing, the PRC on Monday, 29 March 2021 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 9 to 44 of this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.lianzhong.com*).

Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

* *For identification purposes only*

10 March 2021

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Action"	means any action, suit, claim, complaint, litigation, investigation, audit, proceeding, arbitration or other similar dispute
"Adverse Recommendation Change"	means (i) failing to include the board recommendation in the proxy statement for the filing with the United States Securities and Exchange Commission, (ii) withholding, withdrawing or modifying or qualifying, or proposing publicly to withhold, withdraw or modify or qualify the board recommendation, (iii) failing to reaffirm the board recommendation or failing to publicly state that the Disposal is in the best interests of AESE's stockholders, within 10 Business Days after the Purchaser requests in writing that such action be taken, (iv) failing to publicly announce, within 10 Business Days after a tender offer or exchange relating to the securities of AESE shall have been commenced, an unqualified statement disclosing that the board of directors of AESE's rejection of such tender offer or exchange offer, (v) taking or resolving to take any other action or make any other public statement inconsistent with the board recommendation, or (vi) approving, determining to be advisable, or recommending, or proposing publicly to approve, determine to be advisable, or recommending, any Competing Proposal
"AES Common Stock"	shares of the common stock of the Vendor with a par value of US$0.0001
"AES Shareholders"	the holders of the common stock of the Vendor immediately prior to the effective time of the Mergers
"AES Minority Shareholders"	(i) Mr. Yang Eric Qing, (ii) Mr. Ng Kwok Leung Frank, (iii) five (5) subscribers of the convertible notes in the Convertible Debt Financing I as disclosed in the announcement of the Company dated 15 October 2018, (iv) 15 management members of the Vendor or controlled entities of such management members, and (v) two (2) Independent Third Parties, who together hold a total of approximately 28.10% equity interests in the Vendor immediately before the Transaction Merger

"AESE"	Allied Esports Entertainment, Inc. (formerly known as Black Ridge Acquisition Corp.), a Delaware corporation whose shares are listed on Nasdaq with ticker symbol AESE, and a non-wholly owned subsidiary of the Company
"AESE Group"	AESE and its subsidiaries
"Announcement"	the announcement of the Company dated 19 January 2021 in relation to the Disposal
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BR Common Stock"	shares of the common stock of AESE with a par value of US$0.0001 per share
"BR Warrants"	warrants to purchase BR Common Stock at an exercise price per share of US$11.50, being the same price per share for warrants previously offered by AESE to other investors, exercisable any time. The BR Warrants were formerly traded on Nasdaq under the ticker symbol BRACW and would expire five years from the Completion of the Spin-off. The BR Warrants could be redeemed by AESE at any time for US$0.01 per BR Warrant provided the last reported sales price of the BR Common Stock equals or exceeds US$18 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to notice of redemption to the holders of the BR Warrants
"Business Days"	each day that is not a Saturday, Sunday or other day on which banking institutions located in Los Angeles, California are authorized or obligated by Law or executive order to close
"BVI"	British Virgin Islands
"Closing"	the consummation of the Disposal
"Company"	Ourgame International Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands, whose issued Shares are listed on the Hong Kong Stock Exchange

"Company Cash"	means as at the date of Closing, the aggregate amount of all cash, cash equivalents and marketable securities held by the Target Group, which shall be (A) reduced by the amount of any drafts, checks and wires issued by the Target Group but not yet cashed or cleared, any amounts paid by the Target Group with respect to taxes on the date of Closing (and any withholding tax or other costs of repatriating any cash held by non-U.S. subsidiaries of the Target Company), and any restricted cash (including any security deposits and cash posted for bonds, letters of credit or similar instruments, and amounts held in escrow), and (B) increased by the amount of all drafts, checks, incoming wires and other deposits made to the Target Group but not yet credited or cleared
"Company Indebtedness"	means as at the date of Closing, an amount equal to the sum of all outstanding guaranties and indebtedness for borrowed money owed to third parties (whether short- or long-term, whether or not due and payable, to the extent they are owed or guaranteed by the Target Group), including all unfunded severance payment obligations, bank debt and notes, and all fees expenses or termination payments, or accumulated interest in connection therewith but excluding any outstanding principal, accrued interest and other amounts payable under the PPP Loan
"Completion of the Spin-off"	consummation of Redomestication Merger and Transaction Merger in accordance with the terms of the Merger Agreement
"Competing Proposal"	means any inquiry, proposal or offer made by a third party to purchase or otherwise acquire AESE, the Vendor, the Target Company, any of their respective subsidiaries and/or their poker-related business
"Conditions"	the conditions precedent to the Closing as set out in the Stock Purchase Agreement
"Consideration"	US$78.25 million (equivalent to approximately HK$606.6 million) being the total consideration payable by the Purchaser under the Stock Purchase Agreement for the Disposal
"Contingent Shares"	each Subscriber of the Convertible Debt Financing II shall be issued additional BR Common Stock
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Convertible Debt Financings"	means Convertible Debt Financing I and Convertible Debt Financing II
"Convertible Debt Financing I"	means the sale by the Company of US$10 million of convertible notes as disclosed and further clarified in the announcements of the Company dated 15 October 2018 and 9 November 2018, respectively
"Convertible Debt Financing II"	means the sale by the Company of US$4 million of convertible notes as disclosed and further clarified in the announcements of the Company dated 20 May 2019 and 17 June 2019, respectively
"Convertible Notes"	means the convertible notes subscribed in the Convertible Debt Financings
"Directors"	the directors of the Company
"Disposal"	the proposed sale and purchase of the Sale Equity Interests in accordance with the terms and subject to the Conditions of the Stock Purchase Agreement and the related transactions contemplated by the Stock Purchase Agreement
"Disposal Group of the Spin-off"	the subsidiaries that own and operate the entire Esports business and WPT Business of the Company
"EBITDA"	earnings before interest, taxes, depreciation, and amortization
"EGM"	the extraordinary general meeting of the Company to be convened and held in the Conference Room, 10/F, Tower B Fairmont, No. 1 Building, 33# Community, Guangshun North Street, Chaoyang District, Beijing, the PRC on Monday, 29 March 2021 at 10:00 a.m. to consider and approve, among other things, the Stock Purchase Agreement and the transactions contemplated thereunder
"Exchange Act"	the Securities Exchange Act of 1934, as amended
"Governmental Entity"	any court, administrative agency or commission or other federal, state, county, local or other foreign governmental authority, instrumentality, agency or commission
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party(ies)"	third party(ies) independent of the Company and is/are not connected persons (as defined under the Listing Rules) of the Company
"Latest Practicable Date"	5 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Law"	means any applicable U.S. or non-U.S. federal, state, local or other constitution, law, statute, ordinance, rule, regulation, published administrative position, policy or principle of common law issued, enacted, adopted, promulgated, implemented or otherwise put into legal effect by or under the authority of any Governmental Entity
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Material Adverse Effect"	shall mean any occurrence, change, event, effect or development that, individually, or taken together with all other occurrences, changes, events, effects or developments, (a) has or would reasonably be likely to have a material adverse effect on the condition (financial or otherwise), results of operations, properties, assets or business of the Target Group taken as a whole provided, however, that, with respect to this subsection (a), the determination of whether a "Material Adverse Effect" exists or has occurred shall not include effects on the foregoing to the extent attributable to (i) changes, after the date hereof, in GAAP or other regulatory accounting requirements, (ii) changes, after the date hereof, in laws, rules or regulations of general applicability to companies in the industry in which the Target Group operates, (iii) changes, after the date of the Stock Purchase Agreement, in global or national political conditions or general economic or market conditions, (iv) conditions, arising out of acts of terrorism, war, sabotage, military actions, weather conditions, natural disasters, the 2019 novel coronavirus (COVID-19) and Orders affecting such businesses as a result thereof, or other force majeure events, (v) any change, in and of itself, in the market price or trading volume of the AESE's securities (it being understood that the facts or occurrences giving rise to or contributing to such change may be deemed to constitute, or be taken into account in determining whether there has been or

	would reasonably be expected to become, a Material Adverse Effect, to the extent permitted by this definition and not otherwise excepted by another clause of this proviso), (vi) actions taken as required or specifically permitted by the Stock Purchase Agreement or actions or omissions taken with the Purchaser's written consent, or (vii) any stockholder litigation against AESE, the Vendor, their respective subsidiaries and/or the directors or executive officers of AESE, the Vendor or their respective subsidiaries relating to the transactions except, with respect to clauses (i), (ii), (iii) and (iv), to the extent that the effects of such change are disproportionately adverse to the condition (financial or otherwise), results of operations, properties, assets or business of the Target Group, taken as a whole, as compared to other companies in the industry in which the Target Group operates, or (b) with respect to either AESE and the Vendor, on the one hand, or the Purchaser, on the other hand, has or would reasonably be expected to prevent or materially delay or impair the ability of AESE and the Vendor, or the Purchaser, as the case may be, to timely consummate the Disposal
"Mergers"	Redomestication Merger and Transaction Merger
"Merger Agreement"	the agreement dated 19 December 2018 entered into among AESE, Merger Sub, the Vendor, Noble Link Global Limited, the Company and Primo Vital in relation to the Redomestication Merger and Transaction Merger
"Merger Sub"	Black Ridge Merger Sub Corp., a Delaware corporation and wholly-owned subsidiary of AESE as at 16 June 2019
"Nasdaq"	National Association of Securities Dealers Automated Quotations
"Order"	means any order, judgment, injunction, ruling, edict, or other decree, whether temporary, preliminary or permanent, enacted, issued, promulgated, enforced or entered by any Governmental Entity that is binding upon the subject individual or entity, including a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a Governmental Entity (or any department, agency, or political subdivision thereof)
"percentage ratios"	has the meaning ascribed to it under the Listing Rules
"PN15"	Practice Note 15 of the Listing Rules

"PPP Loan"	means an unsecured loan in the original principal amount of US$685,300 (equivalent to approximately HK$5.3 million) taken by WPT Enterprises, Inc. on 18 May 2020 under the US federal government's Paycheck Protection Program for a period of two years at an interest rate of 1% per annum
"PRC"	the People's Republic of China, which for the sole purpose of this announcement excludes Hong Kong, Macau and Taiwan
"Primo Vital"	Primo Vital Limited, a private limited company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Purchaser"	Element Partners, LLC, a Delaware limited liability company
"Redomestication Merger"	a business combination transaction by which Noble Link Global Limited merged with and into the Vendor with the Vendor being the surviving entity of such merger
"Remaining Group"	the Company and its subsidiaries immediately after Closing
"Remaining Group of the Spin-off"	the Group, excluding the subsidiaries that own and operate the the entire Esports business and WPT Business of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity Interests"	comprising 100% of the issued and outstanding equity interests of the Target Company held by the Vendor as at the date of this circular
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Shares
"Shares"	ordinary share(s) of the Company with a par value of US$0.00005 each
"Stock Purchase Agreement"	the stock purchase agreement dated 19 January 2021 and entered into between the Vendor, the Purchaser, AESE and the Target Company in relation to the Disposal

"Spin-off"	the disposal of the entire Esports business and WPT Business of the Company by way of the Transaction Merger pursuant to the terms and conditions of the Merger Agreement, thereby effectively resulting in the Merger Businesses becoming separately listed on the Nasdaq
"Subscribers"	means the subscribers of the Convertible Notes in the Convertible Debt Financings
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Club Services, Inc., a Nevada corporation and an indirect non-wholly owned subsidiary of the Company immediately before the Closing
"Target Group"	the Target Company and its wholly-owned subsidiaries, namely WPT Enterprises, Inc. a Nevada corporation, Peerless Media Holdings Limited, a Gibraltar corporation, and Peerless Media Limited, a Gibraltar corporation
"Transaction Merger"	a business combination transaction by which, immediately after the consummation of the Redomestication Merger, Merger Sub merges with and into the Vendor with the the Vendor being the surviving entity of such merger
"Treasury Regulation"	the income tax and administrative regulations promulgated from time to time under the Internal Revenue Code of 1986, as amended
"US$"	United States dollar, the lawful currency of the United States
"Vendor"	Allied Esports Media, Inc., a Delaware corporation and an indirect non-wholly owned subsidiary of the Company as at the date of this circular
"%"	per cent

For the purpose of this circular, the exchange rate of US$1 = HK$7.75215 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

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)

Executive Directors:
Mr. LI Yangyang *(Chairman and Acting Chief Executive Officer)*
Mr. GAO Hong

Non-executive Directors:
Mr. LIU Jiang
Ms. FU Qiang
Mr. HU Wen

Independent Non-executive Directors:
Professor HUANG Yong
Mr. MA Shaohua
Mr. LU Jingsheng

Registered Office:
PO Box 309, Ugland House
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Cayman Islands

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Room 1002, 10/F
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33# Community
Guangshun North Street
Chaoyang District
Beijing, the PRC

Principal Place of Business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

10 March 2021

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTERESTS OF CLUB SERVICES, INC.

INTRODUCTION

Reference is made to the Announcement, in relation to, among other things, the Disposal. On 19 January 2021 (U.S. time), the Vendor, an indirect non-wholly owned subsidiary of the Company, the Target Company, AESE and the Purchaser entered into the Stock Purchase

Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity Interests for a total consideration of US$78.25 million (equivalent to approximately HK$606.6 million).

The Disposal constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders' approval requirements.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial and other information of the Group; (iii) financial and other information of the Target Group; (iv) unaudited pro forma financial information of the Remaining Group; (v) other information required to be disclosed under the Listing Rules; and (vi) the notice of the EGM.

PRINCIPAL TERMS OF THE STOCK PURCHASE AGREEMENT

The principal terms of the Stock Purchase Agreement are set out as follows:

Date

19 January 2021 (U.S. time)

Parties

(1) the Vendor

(2) the Purchaser

(3) the Target Company

(4) AESE

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties as at the Latest Practicable Date.

Subject Matter of the Disposal

Pursuant to the Stock Purchase Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Equity Interests, being the entire issued and outstanding equity interests of the entities in the Target Group.

The Target Company is a Nevada corporation. AESE, an indirect non-wholly owned subsidiary of the Company, owned beneficially and of record 100% of the issued and outstanding equity interests of the Vendor, which owned beneficially and of record 100% of the issued and outstanding equity interests of the Target Company.

The Target Company owns and operates through its subsidiaries a poker-related business, commonly known as the World Poker Tour. World Poker Tour is the premier name in internationally televised gaming and entertainment with brand presence in land-based tournaments, television, online, and mobile.

Consideration and payment terms

The Consideration payable by the Purchaser under the Stock Purchase Agreement is US$78.25 million (equivalent to approximately HK$606.6 million), which was/will be paid in cash in the following manner:

(i) a payment of US$4 million (equivalent to approximately HK$31.0 million) payable upon the execution of the Stock Purchase Agreement (the "**Initial Payment**");

(ii) a payment of US$64.25 million (equivalent to approximately HK$498.1 million) payable upon the Closing (the "**Closing Cash Payment**"); and

(iii) a fully guaranteed revenue share of 5% of the aggregate entry fees of the World Poker Tour-branded tournaments on the gaming platforms owned or licensed by the Vendor, up to a maximum of US$10 million (equivalent to approximately HK$77.5 million), payable over three years after Closing in arrears on a quarterly basis within 90 days after each calendar quarter (the "**Tournament Payment**"). The amount of each Tournament Payment is based on the aggregate entry fees for the quarter on which the Tournament Payment is based. Each payment must be accompanied by a statement setting forth the Purchaser's determination of the aggregate entry fees from the World Poker Tour-branded tournaments actually received by the Purchaser, the Target Company or their affiliates during such period and the Purchaser's calculation of the Tournament Payment based thereon, together with such supporting documentation as may be reasonably necessary for AESE to verify and determine the amounts set forth therein. AESE has the ability to audit the results one time each year.

The total consideration shall be adjusted to an amount equal to the Initial Payment, plus the Closing Cash Payment, the Tournament Payment and the Company Cash (if any), minus any transaction expenses incurred by or on behalf of the Target Group remaining unpaid at Closing, minus any Company Indebtedness remaining unpaid at Closing, and minus a good faith estimate of pre-Closing taxes (the "**Total Consideration**"). The Company Indebtedness refers to debt of the Target Group. However, the assets of the Target Group are subject to liens that secure such indebtedness, and as a result, such indebtedness must be satisfied from the Consideration. The Company Cash refers to the cash of the Target Group.

Upon the determination of the Total Consideration, the total closing payment shall be adjusted to an amount equal to the Total Consideration minus the Tournament Payment, and minus the Initial Payment.

The Company estimated that the Total Consideration (before paying any estimated transaction expenses, and including all Tournament Payments) would be approximately US$76.66 million (equivalent to approximately HK$594.3 million), and approximately US$66.66 million (equivalent to approximately HK$516.8 million) of the Total Consideration (before paying any estimated transaction expenses but excluding any Tournament Payments) would be payable at the Closing.

Basis of determination of the Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the revenue and EBITDA of the Target Group for the financial year ended 31 December 2019 and the deferred revenue and payment obligations which the Purchaser would have to undertake post-closing of the Disposal. AESE obtained a fairness opinion from an independent third party financial advisor, which noted that, using publicly available information for comparable transactions, an appropriate multiple of the Target Group's EBITDA for 31 December 2019 ranges from 11.0× – 15.0×. The Target Group's EBITDA as at 31 December 2019 was US$5.0 million. As the Target Group is specially situated, which operates in an industry where it only has one main competitor, the World Series of Poker ("**WSOP**"), that operates its business in a similar format to the World Poker Tour, the comparable transactions utilized by the independent third party financial advisor in preparing its fairness opinion included transactions in industries deemed to be comparable to some or all of the businesses in which the Target Group operates-online betting service and gaming, and content network. The independent third party financial advisor's opinion analyzes 14 comparable transactions for comparison points. No single transaction was deemed more appropriate than the others, and hence, using these deal metrics should provide a reliable basis on which to value the Consideration. Details of the 14 comparable transactions are set out below:

	Closed Date	Company Name	Principal activities	Acquiror	Implied Value[(1)(2)] *(in millions)*	Revenue	Enterprise Value[(3)]/ LTM EBITDA
1.	May 2020	The Stars Group, Inc.	Online real money casino, poker and sports betting platform operator based in Canada	Flutter Entertainment PLC	US$10,894	4.4×	18.4×
2.	October 2019	Stride Gaming PLC	Online casino and Bingo real money gaming platform operator based in the United Kingdom	Rank Group PLC	£97	1.2×	7.6×
3.	February 2019	Atlas LLC	Online casino, sports better, poker and peer-to-peer real money gaming operator in the country of Georgia	Flutter Entertainment PLC	£198	3.1×	9.9×
4.	February 2019	Cherry AB	Owner and developer of online gaming, game development, online marketing and game technology companies, based in Sweden	Audere Est Fracere AS.; Bridgepoint Advisers Ltd.; Klein Group AS.; Prunus Avium Ltd.	SEK10,539	3.6×	15.0×

	Closed Date	Company Name	Principal activities	Acquiror	Implied Value[(1)(2)] *(in millions)*	Revenue	Enterprise Value[(3)]/ LTM EBITDA
5.	January 2019	Mr Green & Co	Online sports betting, casino, bingo and keno operator licensed in Denmark, Italy, Latvia, Malta, Britain and Ireland	William Hill PLC	SEK2,181	1.4×	14.4×
6.	July 2018	Sky Betting & Gaming	British-based company owned by the Stars Group providing online sports betting, casino games, poker and bingo	The Stars Group, Inc.	£3,350	5.4×	16.6×
7.	June 2018	Snaitech S.p.A.	Sports betting operator based in Italy	Pluto (Italia) S.p.A	€834	0.9×	6.0×
8.	March 2018	Scripps Networks Interactive, Inc.	USA-based media company that owned several television cable channels, including Food Network, HGTV and The Travel Channel	Discovery Communications, Inc.	US$18,318	5.3×	11.4×
9.	January 2018	Big Fish Games, Inc.	USA-based operator of casual (i.e., free-to-play) games for computer and mobile	Aristocrat Technologies, Inc.	US$990	2.2×	11.9×
10.	June 2017	32Red PLC	Online real money casino operator licensed in Gibraltar	Kindred Group PLC	£165	2.7×	18.2×
11.	March 2017	NetPlay TV PLC	Online casino, bingo and sports betting operator based in the United Kingdom	Betsson AB	£17	0.6×	7.1×
12.	August 2016	8Ball Games Ltd.	Online casino and slot game operator based in the United Kingdom	Stride Gaming PLC	£34	3.5×	17.1×
13.	February 2016	Bwin.Party Digital Entertainment Ltd.	Online real money gambling operator based in Gibraltar	GVC Holdings PLC	€1,371	2.4×	19.8×
14.	July 2014	ITV PLC	British media company that offers linear television broadcasts and digital distribution of licensed content	Liberty Global PLC	£7,683	3.1×	12.0×
Summary of results							
			Comparable transactions:	Maximum	US$18,318	5.4×	19.8x
				Minimum	US$24	2.9×	13.2×
				Average	US$3,620	2.8×	13.3×
				Median	US$1,000	0.6×	6.0×
			Target Group (for the trailing twelve months):		US$78.25	4.18×	35.4×

Notes:

(1) Implied Value means the implied enterprise value of a company based upon the transaction price.

(2) The exchange rates of £1 = US$1.41, €1 = US$1.21 and SEK1 = US$0.12 have been used.

(3) Enterprise Value is calculated as the market value of common stock, plus any debt and minority interest, less cash and cash equivalents.

The time frame adopted by the independent third party financial advisor covered transactions that took place from July 2014 to May 2020. The Board and the management of AESE are of the view that the time frame is appropriate because (a) the list of transactions generally covers most of the significant transactions with public disclosure that took place in the last seven years with companies in the Target Group's business sectors; and (b) the Board and the management of AESE relied on the research and analysis provided by the independent third party financial advisor, a professional firm that is experienced in valuing businesses similar to the Target Group. The independent third party financial advisor, in which the Board and the management of AESE believe to be knowledgeable about the various industries in which the Target Group operates, considered that a seven-year period was appropriate based in part upon the limited number of publicly-reported transactions. As the Target Group has no direct competitors whose transactions may be used as part of a comparable transaction analysis, the Board, AESE and the independent third party financial advisor would like to ensure that there are sufficient number of data points to have a complete analysis.

As the Target Group is specially situated, which operates in an industry where it only has one main competitor, namely WSOP, the comparable transactions utilized by the independent third party financial advisor in preparing its fairness opinion included transactions in industries deemed to be comparable to some or all of the businesses in which the Target Group operates — online betting services and gaming, and content production and distribution. The Board and the management of AESE relied upon the independent third party financial advisor to determine which publicly reported transactions were appropriate to consider as comparable transactions. In particular, Scripps Networks Interactive, Inc. was included in the analysis since it is a large producer of non-scripted/ specialty content, which the independent third party financial advisor determined was applicable to the Target Group's production and distribution of the World Poker Tour television show. As such, the Board and the management of AESE are of the view that this comparable transaction is appropriate for the analysis.

The Board and the management of AESE believe that the foregoing list as at the date of the fairness opinion is exhaustive for purposes of the analysis based on publicly available information. No additional information was able to obtain with respect to private transactions.

Based upon these comparable transactions, the independent third party financial advisor calculated, for each selected transaction, the ratio of the Target Company's transaction value to the Target Company's EBITDA for the 12-month period ("**LTM**") prior to the date of the Announcement ("**EV/LTM EBITDA**"). This analysis resulted in a mean EV/LTM EBITDA of 13.3× and a median EV/LTM EBITDA of 13.2×. Based on the results of this analysis, the independent third party financial advisor selected a multiple reference range of 11.0× – 15.0× and applied it to the Target Group's assumed LTM EBITDA as at 31 December 2020. Using the range of appropriate multiple from 11.0× – 15.0×, the Target Group would be valued between US$55 million to US$75 million. Based on these multiples, a proposed purchase price of the Target Group of US$78.25 million (equivalent to approximately HK$606.6 million) and a consideration in the amount of US$78.25 million would result in a multiple of approximately 15.7× of the Target Group's EBITDA as at 31 December 2019 (or approximately 13.7× of the Target Group's EBITDA as at 31 December 2019 with respect to the Initial Payment and Closing Cash Payment to be paid at Closing). As such, the Board considers the Consideration to be reasonable. By reference to EBITDA of the Target Group, it is the Target Group's GAAP net income (loss) before interest (income) expense, income taxes, depreciation, and amortization.

The Target Group was loss-making for the two years ended 31 December 2019, but it had a positive EBITDA for such periods. Sales in the Target Group's industry, especially in the United States, commonly use multiples of historical EBITDA as a valuation metric, amongst others, which is in line with the opinion obtained by AESE from its independent third party financial adviser. In addition, when discussing AESE and its businesses historically, including the operations of the Target Group, with investment bankers, stockholders, and potential investors and acquirors, the value of AESE and the Target Group have been based upon, among other items, multiples of historical EBITDA of the relevant company (AESE or the Target Group). AESE also provides in its quarterly and annual reports filed with the U.S. Securities and Exchange Commission EBITDA calculations for such periods in addition to those financial calculations required by applicable SEC laws and regulations. In light of the above, it is noted from the opinion of the independent third party financial adviser that AESE has obtained, and upon which the Board has in part relied in determining whether the Consideration is appropriate, utilized a number of valuation metrics beyond EBITDA that concluded that the reference to EBITDA ratios is the closest to the Consideration and therefore considered that the Consideration is sufficient.

The fairness opinion of the independent third party financial advisor included valuations of the Target Company based upon the following valuation analyses: public trading multiples, discounted cash flow, investor returns, sum-of-the-parts, selected transactions, and other analyses. A further description of each analysis is set forth below:

Public Trading Multiples

Using publicly available information and equity research analysts' estimates, the independent third party financial advisor calculated the ratio of a firm's enterprise value (calculated as the market value of common stock, plus any debt and minority interest, less cash and cash equivalents) to analysts' estimates for EBITDA for 31 December 2021 (the "**EV/2021 EBITDA**") for a group of companies deemed to be comparable to the Target Company's various businesses. Because there are no public companies with a directly comparable collection of businesses as those of the Target Company, for purposes of its opinion, the independent third party financial advisor analyzed the trading multiples of three groups of companies deemed to be comparable to each subset of the Target Company's business, i) content networks; ii) regional casinos and gaming operations; and iii) online gaming applications.

Based on the results of this analysis and other factors which the independent third party financial advisor considered appropriate based on its experience and judgment, the independent third party financial advisor selected an EV/2021 EBITDA multiple reference range of 9.0× – 11.0×. Applying this range to the Target Group's estimated 2021 EBITDA projection provided by AESE's management, the analysis indicated an enterprise value for the Target Company of US$56.9 million to US$69.5 million. This range was compared to the consideration of US$68.25 million, excluding any contingent consideration to be received by AESE through any future revenue sharing arranging with the Purchaser.

Discounted Cash Flow Analysis

In valuing the Target Company, the independent third party financial advisor conducted a discounted cash flow analysis. A discounted cash flow analysis is a method of evaluating an asset using estimates of the future cash flows generated by the asset and taking into consideration the time value of money by discounting those cash flows earned in the future to their "present value." The "unlevered free cash flows" refers to a calculation of those future cash flows of an asset without including in such calculation any debt servicing costs. "Present value" refers to the current value of the one or more future cash flows streams generated by the asset and is obtained by discounting those cash flows back to the present using a discount rate that takes into account macro-economic assumptions, estimates of investment risk, the opportunity cost of capital and other appropriate factors. The independent third party financial advisor derived such discount rates by application of the capital asset pricing model, which requires certain company-specific inputs, including the company's indicative capital structure, the cost of debt, future marginal cash tax rate and a beta for the company, as well as certain financial metrics for the United States financial markets generally. "Terminal value" refers to the present value of all future cash flows generated by the asset for periods beyond the projections period.

Based upon the forecast for the Target Company and discussions with both the Target Company and AESE's management, the independent third party financial advisor calculated the unlevered free cash flows that the Target Company is expected to generate during fiscal years 2020 through 2023 under existing tax rates (effective federal tax rate of 21% and an assumed effective California state rate of 8.84%). The forecast for the Target Company includes earnings from a real money gaming ("**RMG**") operation, a business in which the Target Company does not currently operate in a meaningful way. In addition to the lack of current and historical RMG earnings, the independent third party financial advisor understands there are substantial regulatory and geographic risks associated with this business line, as the majority of the projected earnings in the forecast are derived from a single jurisdiction subjecting these revenues to a single regulatory regime. While the Target Company feels comfortable with these projections through 2023, it is considered that the sustainability of this revenue stream becomes more tenuous in subsequent years. As the Target Company is not currently engaged in RMG and the high level of uncertainty given the potential for the business line to be materially harmed through regulatory decree, the independent third party financial advisor has excluded cash flow from RMG in determining terminal year cash flows.

For purposes of the foregoing analysis, the independent third party financial advisor calculated a range of terminal values of the Target Company at the end of 2023 using the perpetuity growth rate and terminal EBITDA methods. The independent third party financial advisor selected terminal perpetuity growth rates ranging from 2.5% to 4.5%. The unlevered free cash flows in the terminal year were calculated excluding RMG, based on the projections provided by AESE's management. The independent third party financial advisor selected terminal EBITDA multiples ranging from 9.0× to 11.0×. The terminal year EBITDA was calculated excluding RMG, based on the projections provided by AESE's management. The range of terminal values as well as all interim cash flows were then discounted to present values using a discount rate of 16.0%, which was chosen by the independent third party financial advisor based upon an analysis of the weighted average cost of capital of the Target Company, taking into account macro-economic assumptions, estimates of risk, a hypothetical capital structure for the Target Company based upon the future cash flows implied by the forecast and other appropriate factors, including the assumed long term equity risk premium and assumed company size premium. Based on the foregoing, this analysis indicated an implied enterprise value range for the Target Company of US$47.5 million to US$51.5 million based upon the perpetuity growth method and US$63.3 million to US$72.0 million utilizing the terminal EBITDA method, as compared to the Consideration of US$68.25 million, excluding the potential for any contingent consideration to be received by AESE in the future.

Investor Returns Analysis

The independent third party financial advisor conducted an analysis to determine how a hypothetical institutional investor may value the Target Company through a private market transaction for the entire business of the Target Company, based upon a required return threshold and an indicative capital structure. In completing this analysis, in addition to its experience and judgement, the independent third party financial advisor relied upon the forecast provided by the Target Company as well as discussions with both the Target Company and AESE's management. The investor returns analysis is highly subjective due to the differing parameters upon which market participants base their investment decisions. Moreover, this analysis assumes an acquisition of the Target Company in its entirety in a private transaction; a market which by its nature is illiquid and opaque. However, despite its inherent limitations, in experience of the independent third party financial advisor, the investor returns analysis can be instructive in determining an overall valuation for an asset.

The investor returns analysis is based on the same forecast used in the discounted cash flow analysis. Based upon its review of the public trading comparables and the derived EBITDA multiple range, the independent third party financial advisor assumed an exit multiple of range of 9.0× – 11.0× 2023 forecasted EBITDA (excluding RMG), and a required rate of return ranging from 17.5% to 22.5%. This methodology derived a valuation range for the Target Company of US$49.7 million to US$62.1 million as compared to the Consideration of US$68.25 million, again excluding the potential benefit of any contingent consideration to be received by AESE in the future.

Sum-of-the-Parts Analysis

For operating companies with a collection of sizeable but distinct business units, a summation of the valuations of each business unit individually can be instructive in determining the overall value of the collective enterprise. The independent third party financial advisor valued each of the Target Company's disparate businesses separately in order to conduct a sum-of-the-parts valuation. For this valuation, the independent third party financial advisor analyzed the Target Company's i) Tour business; ii) Club WPT business; and iii) future RMG business separately. On a combined basis, the Target Company's existing businesses (Tour business and Club WPT business) were valued in a range of US$41.9 million to US$42.3 million, while the future RMG business was valued in a range of US$0.2 million to US$20.2 million depending upon whether the metric for the analysis was fiscal year 2020 budgeted EBITDA or projected fiscal year 2021 EBITDA. Based upon a number of factors, including its overall judgement concerning where each component would fall within its individual valuation range as well as which metric would be used to value the business, the independent third party financial advisor derived an overall sum-of-the-parts valuation range for all of the Target Company of US$50.3 million to US$61.0 million.

Selected Transaction Analysis

Using publicly available information, the independent third party financial advisor reviewed selected transactions that involved the sale of whole businesses deemed to be comparable to some or all of the businesses in which the Target Company operates. Specifically, the independent third party financial advisor reviewed the following transactions involving companies in the gaming industry:

	Target	**Acquiror**	**Date**
1.	The Stars Group Inc.	Flutter Entertainment PLC	May 2020
2.	Stride Gaming PLC	The Rank Group PLC	October 2019
3.	Atlas LLC	Flutter Entertainment PLC	February 2019
4.	Cherry AB	Audere Est Facere AS; Bridgepoint Advisers Limited; Klein Group AS ; Prunus Avium Ltd	February 2019
5.	Mr Green & Co	William Hill PLC	January 2019
6.	Sky Betting and Gaming	The Stars Group Inc.	July 2018
7.	Snaitech S.p.A.	Pluto (Italia) S.p.A	Jun 2018
8.	Scripps Networks Interactive, Inc.	Discovery Communications, Inc.	March 2018
9.	Big Fish Games, Inc.	Aristocrat Technologies, Inc.	January 2018
10.	32Red PLC	Kindred Group PLC	June 2017
11.	NetPlay TV	Betsson AB	March 2017
12.	8Ball Games Limited	Stride Gaming PLC	August 2016
13.	Bwin.party digital entertainment Limited	GVC Holdings PLC	February 2016
14.	ITV PLC	Liberty Global	July 2014

Using publicly available information, the independent third party financial advisor calculated, for each selected transaction, the EV/LTM EBITDA. This analysis resulted in a mean EV/LTM EBITDA of 13.3× and a median EV/LTM EBITDA of 13.2×.

Based on the results of this analysis, the independent third party financial advisor selected a multiple reference range of 11.0× – 15.0× and applied it to the Target Company's assumed LTM EBITDA as at 31 December 2020. The analysis indicated an implied valuation range for the Target Company of US$48.0 million to US$65.5 million, which was compared to the Consideration of US$68.25 million (excluding any contingent consideration to be received by AESE through any future revenue sharing arranging with the Purchaser).

Other Analysis

Historical Trading Ranges. The independent third party financial advisor reviewed the trading range of AESE's common stock, its implied market capitalization, and its implied enterprise value (calculated as the market value of common stock, plus any debt and minority interest, less cash and cash equivalents) since its first day of trading following the acquisition by AESE on 9 August 2019. As parent company of the Target Company, AESE owns brands and assets other than the Target Company and AESE's enterprise value represents the total value of AESE. Over the period from 9 August 2019 to 15 December 2020, AESE's enterprise value ranged from a high of US$170.6 million to a low of US$31.1 million and was calculated to be US$59.4 million on 15 December 2020, the final day of the period analyzed. This was compared to the Consideration of US$68.25 million (excluding any contingent consideration to be received by AESE through any future revenue sharing arranging with the Purchaser) for only the Target Company's business, as opposed to AESE in its entirety inclusive of the Target Company and AESE's Esports assets, including its hyperX in person and mobile events and competition battlegrounds and content generation hubs through AESE's esports property network. The historical trading ranges are presented for reference purposes only and were not relied upon for valuation purposes.

Analyst Price Targets. The independent third party financial advisor sought to review the price targets prepared by certain equity research analysts for AESE's common stock in order to determine an implied future enterprise value for AESE; however, research coverage of AESE is limited and no price targets were available for review. The analyst price targets, or lack thereof, are presented for reference purposes only and were not relied upon for valuation purposes.

Owned Intellectual Property. The independent third party financial advisor considered the value of the Target Company's owned intellectual property rights associated with the WPT brand, video content, and production music. Based upon the segmented historical financial information and forecast provided, the independent third party financial advisor determined that revenue derived from the intellectual property has historically been under US$2 million annually (over the period analyzed) and is forecast to remain at these levels through 2023. In the independent third party financial advisor's judgement, this catalog of IP rights is unlikely to derive a value higher than that that of the overall operating business. The earnings from the Target Company's intellectual property are presented for reference purposes only and were not relied upon for the purposes of the valuation.

As noted above, a valuation metric based on EBITDA is only one of a number of valuation metrics prepared by the independent third party financial advisor and reviewed by the management of AESE and the Board. The valuation metric based on EBITDA is specifically disclosed in this Circular as in our experience, that metric is commonly used by investment bankers, stockholders, and potential investors and acquirors in evaluating the Transaction.

The Board and the management of AESE reviewed and agreed with the various valuation methods, metrics and key assumptions used by the independent third party financial advisor in the fairness opinion. Given the unique assets held by the Target Group and the management of AESE and the Board's understanding of relevant valuation methodologies, the Board and the management of AESE believed that the contents of the fairness opinion were reasonable and appropriate to determine the fair value of the Target Group. The entire fairness opinion of independent third party financial advisor has been filed with the SEC by AESE, and is being sent to each AESE stockholder for review.

In reaching its decision to adopt and approve the Stock Purchase Agreement and the transactions contemplated thereunder, the Board, in consultation with the management of AESE as well as the financial and legal advisors of AESE, considered a number of factors that the Board believes supported its decision.

Since AESE acquired the Target Group in 2015, it has been valued for potential sales in connection with unsolicited offers over the years. These offers were generally in the range of US$48.5 million to US$50.5 million.

The Board noted that the historical operations of the Target Group and the COVID-19 pandemic add risk to its long-term viability. Although the net profit of the Target Group was approximately US$630,571 for the nine months ended 30 September 2020, the Board is concerned that such profit may not be sustainable in light of the present global economic conditions. The Board considered a number of risks and uncertainties about continuing to operate the Target Group, including the risks involved in any expansion of the current Target Group's business into new jurisdictions or markets, the need for additional capital to expand the Target Group's business, and the adverse impacts that COVID-19 has had on the Target Group's ability to host in-person events and the delays in the production of its television shows.

The Board also considered the conclusions of the fairness opinion delivered by the independent third party financial advisor, that determined that, in its opinion, the purchase price exceeds the fair value of the Target Group based on each valuation approach (public trading multiples, discounted cash flow, investor returns, sum-of-the-parts, selected transaction and other analyses) utilized by the independent third party financial advisor.

After evaluating these factors and consulting with financial consultants and outside legal counsel, the Board believes that Stock Purchase Agreement and the transactions contemplated thereunder is advisable, fair to, and in the best interests of the Company and the Shareholders, and therefore approved the Stock Purchase Agreement and the transactions contemplated thereunder.

In relation to the basis of determining the Tournament Payment, there is no basis to compare the Tournament Payment to any norm or past entry fees paid, because the Company has not previously entered into any agreements or arrangements in connection with online real money gaming that pays a revenue share or royalty of any kind. From time to time, the Target Group has shared in revenue from the "rake" portion of live poker tournaments held by in-person casino partners, but the amounts derived therefrom typically amount to a range of around US$2,000 to US$10,000 per event or series of events. The Tournament Payment, not only is the revenue share based on both the entry fee paid by players and the "rake," but it also derives from online tournaments that typically host a far greater number of players than any live casino event.

The Tournament Payment enables the Company to maximise the consideration of the World Poker Tour business operated by the Target Group (the "**WPT Business**") to the amount of US$78.25 million (equivalent to approximately HK$606.6 million). The Board considers the Tournament Payment up to US$10 million (equivalent to approximately HK$77.5 million) is fair and reasonable since the Tournament Payment enables the Company to achieve a consideration in excess of the Company's value of the WPT Business as confirmed by the opinion issued by the independent third party financial advisor to AESE.

Together with the reasons for and benefits of the Disposal as stated under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL", in particular, (i) the Consideration payable by the Purchaser under the Stock Purchase Agreement is US$78.25 million (equivalent to approximately HK$606.6 million), which is approximately four times of the Target Group's revenue and approximately 15.7 times of the Target Group's EBITDA, and (ii) the current environment in which the Disposal Group of the Spin-off operates is very different from the environment in 2019 when the Company disposed of all its subsidiaries engaging in the eSports and WPT Business. As an entertainment company, the impact of the COVID-19 pandemic on the Disposal Group of the Spin-off has been materially adverse on its finances and operations. Mandatory shut-downs and shelters-in-place enacted in response to this pandemic throughout the world halted all in-person events of the Disposal Group of the Spin-off for a significant period of time. This has also adversely affected the market value of the Disposal Group of the Spin-off, which had a market capitalization of about US$50 million at the material time based upon the trading prices of AESE common stock on Nasdaq. The current environment also has contributed to a negative cash flow of the Disposal Group of the Spin-off, despite raising capital in the prior year. Considering the items noted above, as well as the current market capitalization for the entire Disposal Group of the Spin-off as compared to the amount of the Consideration for just the Target Group, while the consideration was US$203 million for the Disposal Group of the Spin-off in August 2019, which included the Target Group, the Board is of the view that the Consideration, which is way above the aforementioned range, to be fair and reasonable and is favourable to the Company and its Shareholders.

Conditions

The respective obligations of the parties to consummate the Closing of the Stock Purchase Agreement shall be conditional upon the satisfaction at or prior to the Closing of, among other things, the following Conditions, which cannot be waived:

(i) the approval and adoption of the Stock Purchase Agreement by the affirmative vote or written consent of the stockholder(s) of AESE representing a majority (in voting power) of the outstanding shares of AESE;

(ii) no Order or other Law preventing or making illegal the consummation of the Disposal shall be in effect; and

(iii) there shall be no pending Action by any Governmental Entity (A) challenging the Disposal, seeking to restrain or prohibit the consummation of the Disposal or seeking to obtain from AESE and/or the Vendor any damages that are material in relation to AESE, the Vendor and their respective subsidiaries taken as a whole, or (B) seeking to prohibit the Purchaser from effectively controlling in any material respect the business or operations of the Target Group as a result of the Closing.

The obligation of the Purchaser to effect the Disposal is also subject to the satisfaction, or waiver by the Purchaser, at or prior to the Closing, of, among other things, the following conditions:

(i) the representations and warranties of AESE, the Vendor and the Target Company shall be true and correct as at the date of the Stock Purchase Agreement and as at the Closing as though made on and as at the Closing (except that representations and warranties that by their terms speak specifically as at the date of the Stock Purchase Agreement or another date shall be true and correct as at such date); and the Purchaser shall have received a certificate signed on behalf of the Vendor by the Chief Executive Officer or the Chief Financial Officer of the Vendor to the foregoing effect;

(ii) each of the Vendor and AESE shall have performed in all material respects all obligations required to be performed by it under the Stock Purchase Agreement at or prior to the Closing; and the Purchaser shall have received a certificate signed on behalf of each of the Vendor and AESE by their respective Chief Executive Officer or the Chief Financial Officer to such effect;

(iii) between the date of the Stock Purchase Agreement and Closing, no Material Adverse Effect with respect to AESE, the Vendor or the Target Company shall have occurred and the Purchaser shall have received a certificate signed on behalf of each of the Vendor and AESE by their respective Chief Executive Officer or the Chief Financial Officer to such effect;

(iv) the Purchaser shall have received copies of duly signed required consents and approvals from counterparties under material contracts of the Target Group and/or from any Governmental Entity required to consummate the Disposal;

(v) the Purchaser shall have received a certificate from the Vendor certifying as to the Vendor's status as a U.S. person in a form reasonably acceptable to the Purchaser for purposes of satisfying the Purchaser's obligations under Treasury Regulation Section 1.1445-2(b), duly executed by the Vendor; and

(vi) each of AESE and the Vendor shall have made all of the Closing deliveries as required under the Stock Purchase Agreement,

(collectively, the "**Conditions of AESE and the Vendor**").

All of the Conditions of AESE and the Vendor may be waived by the Purchaser.

The obligation of AESE and the Vendor to effect the Disposal is also subject to the satisfaction or waiver by the Vendor at or prior to the Closing of, among other things, the following Conditions:

(i) the representations and warranties of the Purchaser set forth in the Stock Purchase Agreement shall be true and correct as at the date of the Stock Purchase Agreement and as at the Closing as though made on and as at the Closing (including the obtaining of any notices, consents, authorisations, approvals, filings or exemptions in connection with compliance with the rules and regulations of The Nasdaq Stock Market or any other applicable self-regulatory organisation but except that representations and warranties that by their terms speak specifically as at the date of the Stock Purchase Agreement or another date shall be true and correct as at such date); and the Vendor shall have received a certificate signed on behalf of the Purchaser by the manager of the Purchaser to the foregoing effect;

(ii) the Purchaser shall have performed in all material respects all obligations required to be performed by it under the Stock Purchase Agreement at or prior to the Closing, and the Vendor shall have received a certificate signed on behalf of the Purchaser by the manager of the Purchaser to such effect; and

(iii) the Purchaser shall have made all of the Closing deliveries as required under the Stock Purchase Agreement,

(collectively, the "**Conditions of the Purchaser**").

All of the Conditions of the Purchaser may be waived by the Vendor.

As at the Latest Practicable Date, none of the Conditions have been fully completed.

Closing and effect of Closing

Closing shall take place within three Business Days following the satisfaction or waiver (if applicable) of the Conditions.

Upon the Closing, the Target Group will cease to be subsidiaries of AESE and the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of AESE and the Group.

Termination

The Stock Purchase Agreement may be terminated at any time prior to the Closing:

(a) by mutual consent of AESE, the Vendor and the Purchaser in a written instrument authorized by the board of directors of each of AESE, the Vendor and the Purchaser;

(b) by either AESE and the Vendor, on the one hand, or the Purchaser, on the other hand, if any Governmental Entity that must grant any relevant and necessary notices, consents, authorizations, approvals, filings, reports or exemptions in connection with compliance with the rules and regulations of the Hong Kong Stock Exchange, The Nasdaq Stock Market, the Exchange Act or any other applicable self-regulatory organization of AESE, the Vendor or the Purchaser denies approval of the Disposal and such denial has become final and non-appealable or any Governmental Entity of competent jurisdiction shall have issued a final and non-appealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the Disposal;

(c) by either AESE and the Vendor, on the one hand, or the Purchaser, on the other hand, if the Disposal shall not have been consummated on or before 31 March 2021; provided, however, that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein which breach, either individually or in the aggregate, would result in, if occurring or continuing on the date of Closing, the failure of the Conditions of AESE and the Vendor, or the Conditions of the Purchaser, as the case may be, and subject to the requirements as set forth in the Stock Purchase Agreement, AESE and the Vendor will, on a joint and several basis, (i) as its sole recourse in connection with the termination of the Stock Purchase Agreement, reimburse to the Purchaser the Initial Payment and simultaneously pay to the Purchaser a fee in an amount equal to US$3 million (equivalent to approximately HK$23.3 million) (less, if applicable, any expense reimbursement previously paid) (the "**Tail Termination Fee**") not later than two Business Days after the date on which AESE, if the Vendor, or one or more of its subsidiaries, consummates a Competing Proposal (1) prior to such termination of the Stock Purchase Agreement, a Competing Proposal shall have been made to AESE, the Vendor or any of their respective subsidiaries (or their respective representatives) and disclosed to stockholders of AESE, or a Competing Proposal shall have been made to the stockholders of AESE generally, or any person shall have publicly announced an intention (whether or not conditional) to make a Competing Proposal after the date of the Stock Purchase Agreement and before the date the Stock Purchase Agreement is terminated, (2) within 12 months after the date of such termination, AESE, the Vendor and/or any of their respective subsidiaries enters into a definitive agreement with respect to a Competing Proposal (or transaction that would have constituted a Competing Proposal if made prior to the termination of this Agreement) or consummates a Competing Proposal (the "**Tail Transaction**") and (3) such Tail Transaction is consummated, or (ii) as its sole recourse in connection with the termination of the Stock Purchase Agreement (but subject to its right to receive a Tail Termination Fee), reimburse to the Purchaser the Initial Payment simultaneously with the payment of the out-of-pocket transaction expenses incurred by the Purchaser, but subject to a maximum of US$1 million (equivalent to approximately HK$7.8 million), no later than two Business Days after receipt of supporting documentation evidencing such expenses, if (x) AESE and the Vendor shall have failed to obtain or receive, before the time of termination, the support agreements of the Disposal from certain stockholders of AESE duly executed, (y) AESE shall have failed to obtain the approval and adoption of the Stock Purchase Agreement by the affirmative vote or written consent of the stockholder(s) of AESE representing a majority (in voting power) of the outstanding shares of AESE and (z) the Purchaser is not in material breach of its representations, warranties, covenants or agreements hereunder at the time of such termination;

(d) by either AESE and the Vendor, on the one hand, or the Purchaser, on the other hand, (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein), if there shall have been a breach of any of the covenants or agreements or any of the representations or warranties set forth in the Stock Purchase Agreement on the part of the Target Company, AESE or the Vendor, in the case of a termination by the Purchaser, or the Purchaser, in the case of a termination by AESE and the Vendor, which breach, either individually or in the aggregate, would result in, if occurring or continuing on the date of Closing, the failure of the Conditions of AESE and the Vendor, or the Conditions of the Purchaser, as the case may be, and which is not cured within 30 days following written notice to the party committing such breach or by its nature or timing cannot be cured within such time period, and (i) the Purchaser shall pay AESE, as the sole recourse of AESE and the Vendor in connection with termination of the Stock Purchase Agreement by AESE and the Vendor a fee in an amount equal to US$3 million (equivalent to approximately HK$23.3 million) (the "**Non-Performance Fee**") or (ii) AESE shall, as the sole recourse of the Purchaser in connection with termination of the Stock Purchase Agreement by the Purchaser, pay the Purchaser the Non-Performance Fee and reimburse to the Purchaser the Initial Payment simultaneously with the payment of the Non-Performance Fee no later than two Business Days after the date on which the Stock Purchase Agreement is terminated by AESE and the Vendor or the Purchaser, as the case may be;

(e) by the Purchaser, (i) at any time after the board of directors of AESE and the Vendor shall have effected an Adverse Recommendation Change prior to receipt of the consent from a sufficient number of AESE's stockholders to approve and adopt the Stock

Purchase Agreement, or (ii) in the event AESE and/or the Vendor shall have materially breached any of their obligation of no solicitation as required under the Stock Purchase Agreement and AESE and the Vendor, on a joint and several basis, will pay to the Purchaser, as its sole recourse in connection with termination of the Stock Purchase Agreement a fee in an amount equal to US$3 million (equivalent to approximately HK$23.3 million) and simultaneously reimburse to the Purchaser the Initial Payment no later than two Business Days after the date on which the Stock Purchase Agreement is terminated by the Purchaser;

(f) by AESE and the Vendor, in the event that: (i) AESE or the Vendor shall have received a superior proposal, (ii) subject to the obligations of AESE and the Vendor under the Stock Purchase Agreement, the respective boards of directors of AESE and the Vendor or any authorized committees thereof shall have authorized AESE and the Vendor to enter into a definitive agreement to consummate the transaction contemplated by such superior proposal, and (iii) concurrently with the termination of this Stock Purchase Agreement, AESE and the Vendor pays, on a joint and several basis, to the Purchaser a fee in an amount equal to US$3 million (equivalent to approximately HK$23.3 million) and reimburse to the Purchaser the Initial Payment simultaneously and immediately prior to the time of and as a condition to termination by AESE and the Vendor, and AESE and the Vendor enter into the definitive agreement to consummate the transaction contemplated by such superior proposal; or

(g) by the Purchaser at any time prior to 31 March 2021 and the Purchaser shall pay AESE, as the sole recourse of AESE and the Vendor in connection with termination of the Stock Purchase Agreement the Non-Performance Fee no later than two Business Days after the date on which the Stock Purchase Agreement is terminated by the Purchaser.

If the Stock Purchase Agreement is terminated due to a breach of the Stock Purchase Agreement by the Purchaser, or if the Purchaser decides to terminate the Stock Purchase Agreement and pay the Non-Performance Fee, upon such termination of the Purchase Agreement, AESE has an option, but no obligation, to require the Purchaser and Peerless Media Limited, a wholly-owned subsidiary of WPT Enterprises, Inc. and an indirect non-wholly owned subsidiary of AESE, to enter into a three-year brand license agreement for the Purchaser or its affiliates' use of the World Poker Tour brand for real money gaming in Asia. If entered into, the license would provide for Peerless Media Limited to receive royalty payments equal to twenty percent (20%) of qualifying revenues, with minimum annual guaranteed payments of US$4 million (equivalent to approximately HK$31.0 million), US$6 million (equivalent to approximately HK$46.5 million) and US$8 million (equivalent to approximately HK$62.0 million) payable in years one, two and three of the license term, respectively. Peerless Media Limited will have the right to terminate the license agreement after the first year of the term for US$2 million (equivalent to approximately HK$15.5 million).

However, if the Stock Purchase Agreement is terminated for any other reason, the parties agree to enter into the three-year brand license agreement. As such, even if AESE or the Vendor receives a superior proposal and the Target Group is sold to the new purchaser, the new purchaser will still be bound by the three-year brand license agreement with the Purchaser as the brand license agreement is entered into by WPT Enterprises, Inc. There will not be any option for the new purchaser or the Purchaser whether to enter into the brand license agreement in case the Target Group is sold to the new purchaser.

Although the Target Group has a very strong and internationally known brand in the game of poker, it is not currently conducting the business scope included in the brand license agreement (i.e. using the World Poker Tour brand for real money gaming in Asia) and does not have experience as a real money gaming operator. For the Target Group to become a successful real money gaming operator would take a large investment in time and money, in markets where there are already a significant number of experienced operators with much larger resources available. A licensing arrangement would allow the Target Group to focus on what it does best, which is marketing and promotion of its licensee's brand by attached the Target Group's name recognition and branding to the licensee's operations. This would allow the Target Group to minimize costs and business risk while still preserving the potential upside of partnering with a real money gaming operator. Furthermore, a licensing arrangement would allow the Target Group more time to continue to focus on its other core businesses (live events and content production and distribution).

The Company has been in the process of negotiating a similar brand license agreement for the territory of Asia (the "**Alternative License**") prior to the current transaction arising. The Alternative License that was in the process of negotiation prior to the Disposal would have been World Poker Tour's first comprehensive real money gaming partnership in Asia. World Poker Tour has for many years licensed its brand to various real money gaming operators worldwide in connection with the promotion and marketing of online real money gaming poker tournaments, but only on a one-off or limited basis in connection with a single tournament or discrete series of tournaments. For the most part, these one-off or limited licensing arrangements are the same as World Poker Tour's licensing arrangements with tournaments held at brick-and-mortar casinos. In the vast majority of these licensing arrangements, World Poker Tour does not share in any revenue generated by the casino operator (whether online or brick-and-mortar) from the licensed, World Poker Tour-branded tournaments held by the casino operator. The only payment received is the license fee paid by the casino operator to World Poker Tour. The brand license agreement, if entered into, would be a significant departure from any of the prior licensing arrangements engaged in by World Poker Tour and could potentially result in relatively much higher fees payable to World Poker Tour, because (i) World Poker Tour would share in the actual revenue generated by the operator from the online tournaments, and (ii) the ongoing licensing arrangement contemplated by the brand license agreement would likely result in a broader, more integrated, and thus more effective marketing relationship between World Poker Tour and the gaming operator, as opposed to the shorter term and less integrated marketing possible in connection with one-off and/or limited licensing arrangements. The terms of the Alternative License are not as attractive to the Target Group as the three-year brand license agreement. The terms of the proposed three-year brand license agreement with the Purchaser are similar to, or superior to, the material terms of the other offer. By moving forward with the Disposal, the Target Group was required to cease negotiating the Alternative License, which the Company believes would make it difficult or impossible to re-negotiate and enter into that Alternative License if the Disposal does not close. In the event that the Disposal does not close, the Target Group will still be able to enter into a real money gaming license in the territory of Asia and will not have to forego the revenues it could have made under the Alternative License. This arrangement is in the best interests of Shareholders because it (i) allows the Company to ensure that if the Disposal fails to close and there is no Competing Proposal, it will still have the ability to enter into a favorable licensing arrangement, and (ii) even if the Disposal does not occur, the terms of the current licensing arrangement are better, in the Company management's opinion, than the terms of the Alternative License.

A further illustration of the potential significance of the brand licensing agreement, if World Poker Tour were to enter into it, can be seen by comparing the total amount of revenue derived by World Poker Tour from all World Poker Tour — branded live, in-person events and online events, to the minimum guarantees that would be payable under the proposed brand license agreement solely for real money gaming in Asia:

Year	Global Tour Management Revenue *(in US$)*
2017	4,440,282
2018	5,155,023
2019	4,635,049
2020	2,722,358
Average:	4,238,178

Under the terms of the proposed brand licensing agreement, the minimum revenue guarantee of US$4.0 million in year one relating solely to Asia-based real money gaming would almost equal to the approximately US$4.2 million average over the last four years of World Poker Tour's total revenue derived from all sources of World Poker Tour-branded events (i.e. both live and online). Even if excluding the figure of 2020 as it was substantially lower than prior years as a result of the COVID-19 pandemic, the average amount of World Poker Tour global even-based revenue from 2017 to 2019 would be approximately US$4.7 million, whereas the minimum guarantee under the proposed brand license agreement would increase to approximately US$6.0 million in year two, and approximately US$8.0 million in year three which is far in excess of World Poker Tour's historical total annual revenue derived from World Poker Tour-branded events. It is also noted that the minimum guaranteed amounts listed for the proposed brand license agreement are minimums, and thus could potentially be significantly higher. As such, the Board considers such amounts to be fair and reasonable.

Furthermore, the Alternative License had a similar royalty percentage to the current arrangement (that is, at or around 20%), which the management of the Company understands to be a reasonable industry standard rate. Such understanding is based upon the fact that the Target Group operates a unique business, and the only other material competitor with a brand in the poker space that could be used for a license similar to the brand license is likely WSOP. To the knowledge of the Board, WSOP has not entered into such a license. As a result, the Company and AESE are not able to obtain any comparative license transaction statistics that would be applicable to the contemplated brand license. However, the Target Group has negotiated two possible brand licenses for this territory — the Alternative License and the brand license that is the subject of the transactions contemplated under the Stock Purchase Agreement. The alternative transaction contemplated revenue — sharing royalty rates of 15-25% (depending upon the achievement of various milestones). The brand license uses a negotiated royalty rate of 20%, with minimum amounts guaranteed for each of the first three years. With respect to the minimum guaranteed payment amounts, the amounts in the present license under the brand license agreement would substantially exceed the minimums set forth in the Alternative License. Since both licensing arrangements have been negotiated in arms-length transactions with independent third parties, the Company believes the present minimum guarantees are at, or in excess of, what the market would provide. These minimum guarantees also do not limit the amount of royalties that may exceed the guaranteed amounts in each year of the brand license agreement. There has not been a substantial amount of online real money gaming operators in Asian territories to whom the Company can compare the two license arrangements it has seen and negotiated.

In relation to the Non-Performance Fee and the Tail Termination Fee as stated in this section above, AESE has been advised that Delaware law, which governs the transaction, has established through case law certain limits on the amount of 'break fees' for publicly-traded companies. Although there is no bright-line test under such case law, AESE has been advised that Delaware case law has generally confirmed that break fees equal to or less than 4.0% of the transaction value are enforceable. The Non-Performance Fee and the Tail Termination Fee are also categorized as 'break fees'. The obligation of AESE to pay the Non-Performance Fee and the Tail Termination Fee is a result of negotiations with the Purchaser in which the Purchaser has agreed to pay to AESE the Non-Performance Fee if the Purchaser terminates the Purchase Agreement as a result of its desire to not close the transaction or its uncured breach of the Stock Purchase Agreement. The Board is of the view that the US$3 million break fees are fair and reasonable when it is (i) compared with the relative size of the fee to the Consideration (that is, 3.75% of the Consideration); (ii) compared to other recently announced public sale transactions in the U.S. similar to the Disposal; and (iii) compared with the usual percentage of 'break fees' which is generally confirmed to be enforceable.

BACKGROUND OF THE TARGET GROUP

The Company completed the Spin-off in August 2019 which included the WPT Business that is subject to the Disposal. For better understanding of the Disposal, the details of the Spin-off are set out as follows:

The Spin-off

The injection of the entire Esports business and WPT business of the Company into AESE by way of the Transaction Merger pursuant to the Merger Agreement constituted a spin-off pursuant to the applicable requirements under PN15. The Company had submitted a spin-off proposal to the Hong Kong Stock Exchange pursuant to PN15 in relation to the Spin-off and on 29 March 2019, the Hong Kong Stock Exchange confirmed that the Company may proceed with the Spin-off.

As disclosed in the circular of the Company dated 19 June 2019, upon Completion of the Spin-off, (i) AESE owns 100% of the equity interests in the Vendor and owns all Vendor's operating assets and intangible assets including the intellectual properties required for the operation of the entire Esports business and WPT business of the Company; (ii) the Company, through Primo Vital is entitled to receive a minimum of 26.74% equity interest in AESE as enlarged by the issue of the Consideration Shares (as defined below); and (iii) the Vendor, continues to be an indirect non-wholly owned subsidiary of the Company through the significant control the Company exercises over it by virtue of (1) being the single largest shareholder of AESE, (2) its appointment of a majority of the board of directors of AESE pursuant to the terms of the Merger Agreement, (3) the grant of a proxy over the voting rights attached to their AESE shares that certain members of the management team of the entire Esports business and WPT business of the Company provided and (4) the fact that there are no other significant shareholder capable of exercising material influence over of AESE.

Consideration for the Transaction Merger

Subject to the terms and conditions of the Merger Agreement, at the transaction effective time, by virtue of the Mergers and the Merger Agreement and without any further action on the part of AESE, Merger Sub or the Vendor or the holders of any of the securities of AESE or the Vendor, the following occurred:

(a) ***Payment of Company Notes***

AESE assumed US$35 million of outstanding debt obligations of the Vendor held by the Company (the "**Company Notes**"), and upon consummation of Redomestication Merger and Transaction Merger in accordance with the terms of the Merger Agreement, AESE repaid the Company Notes.

(b) ***Conversion of AES Common Stock***

All of AES Common Stock issued and outstanding immediately prior to the transaction effective time was automatically cancelled and extinguished and be converted, collectively, into the right to receive (i) an aggregate of 11,602,754 shares of BR Common Stock (valued at US$10.17 per share of BR Common Stock) (the "**Consideration Shares**"), (ii) an aggregate of 3,800,003 BR Warrants, and (iii) an aggregate of 3,846,153 Contingent Shares (as defined below) (collectively, the "**Merger Consideration**").

The AES Shareholders were issued with their pro rata portion of an aggregate of 3,846,153 Contingent Shares, if the last sales price of BR Common Stock reported equaled or exceeded US$13.00 per share (as adjusted for stock splits, stock dividends, reorganisations, and recapitalisations) for any consecutive thirty (30) calendar days during the five (5) year period commencing on the Completion Date of the Spin-off.

On the day before Completion of the Spin-off, the Company held approximately 81.9% equity interest in the Vendor and other AES Minority Shareholders held approximately 18.1% equity interests in AESE in aggregate.

Pursuant to the terms of the Convertible Debt Financing I, upon Completion of the Spin-off, the Subscribers of the Convertible Debt Financing I were entitled to their pro rata shares, namely, up to 10% of any equity securities issued to the Company. Specifically, the Subscribers of the Convertible Debt Financing I were entitled to:

(i) upon conversion of the relevant Convertible Notes during the conversion period, 10% of the Consideration Shares issued to the Company pursuant to the agreed terms;

(ii) BR Warrants equal to the product of 3,800,003 BR Warrants multiplied by the purchase price of the relevant Convertible Notes divided by $100,000,000; and

(iii) Contingent Shares equal to the product of 3,846,153 Contingent Shares multiplied by the purchase price of the relevant Convertible Notes divided by $100,000,000 subject to fulfillment of the certain conditions. As such, upon Completion of the Spin-off, Primo Vital, the Subscribers of the Convertible Debt Financing I and the other AES Minority Shareholders received 71.9%, 10% and 18.1% of (i) an aggregate of 11,602,754 BR Common Stock, (ii) an aggregate of 3,800,003 BR Warrants and (iii) an aggregate of 3,846,153 Contingent Shares, respectively.

(c) ***Adjustments to Merger Consideration***

The numbers of shares of BR Common Stock and BR Warrants that the AES Shareholders were entitled to receive as a result of the Mergers were equitably adjusted to reflect appropriately the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into shares of BR Common Stock), extraordinary cash dividends, reorganisation, recapitalisation, reclassification, combination, exchange of shares or other like change with respect to BR Common Stock occurring on or after the date of the Merger Agreement until the Completion Date of the Spin-off. The consideration for the Transaction Merger amounted to approximately US$203 million (being the sum of the amount of the Company Notes and the Merger Consideration).

Basis of Consideration for the Transaction Merger

The Board considered that the consideration for the Transaction Merger is fair and reasonable taking into account the following factors:

- the consideration for the Transaction Merger of US$203 million reflects (i) the value of BR Common Stock issued upon Completion of the Spin-off being US$118 million (being 11,602,754 BR Common Stock × US$10.17); (ii) cash consideration paid by AESE being US$35 million; and (iii) the value of the Contingent Shares being approximately US$50 million (being 3,846,153 shares of BR Common Stock × US$13);

- the acquisition cost for the WPT Business was US$35 million and the businesses required substantial capital investment in its initial development phases due to its development physical Esports venue (such as the flagship arena in Las Vegas) as well as large scale content production. The Company has invested approximately US$75 million accumulatively in developing the entire Esports business and WPT Business of the Company up to 31 December 2018. The entire Esports business and WPT Business of the Company have been loss-making and would continue to require a significant ongoing level of capital injection. Without taking into account the value of the Contingent Shares, the remaining consideration of US$153 million represents an approximately 39% premium over the estimated acquisition and development costs of approximately US$110 million of the entire Esports business and WPT Business of the Company. The remaining US$50 million in the form of contingent consideration represented an "earn-up" payment in the event that the entire Esports business and WPT Business of the Company perform well after the Transaction Merger has been consummated. It has, therefore been negotiated in a manner such that the Company was be able to enjoy additional upside in the event that the entire Esports business and WPT Business of the Company perform well in the future in addition to the minimum 26.74% interest in AESE that the Company obtained;

- the subsidiaries that own and operate the entire Esports business and WPT Business of the Company recorded net losses for the three years ended 31 December 2018 and had net assets attributable to owners of the Company of approximately US$0.3 million as at 31 December 2018;

- the value of the BR Common Stock of US$10.17 per share was determined by reference to the value of the proceeds obtained from the listing of AESE (which was US$10.05 per share) that was in the AESE trust account plus the related accrued interest and the prevailing market price;

- the Contingent Shares were only issued if the last sales price of BR Common Stock reported equaled or exceeded US$13.00 for any consecutive 30 calendar days during the five-year period commencing the Completion Date of the Spin-off. As such, in deciding the value of the Contingent Shares, the Company used US$13.00 to value the Contingent Shares, being the price where issuance of the Contingent Shares was triggered; and

- the business prospects of the entire Esports business and WPT Business of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION MERGER AND SPIN-OFF

The Directors (including the independent non-executive Directors) considered that the terms of the Merger Agreement had been negotiated on an arm's length basis and on normal commercial terms, and the transaction contemplated thereunder was fair and reasonable and in the interests of the Company and the Shareholders as a whole. AESE would assume the Company Notes, and would repay those Company Notes upon Completion of the Spin-off, resulting in debt forgiveness to the Company from the Transaction Merger of US$35 million (equivalent to approximately HK$273.7 million). AESE would repay the Company Notes in the amount of US$35 million by cash, of which US$7.5 million was expected to be used to pay amounts owing to the management of the WPT Business and the remaining proceeds was expected to be used as working capital.

The Company strongly believed the following commercial benefits existed with respect to the Transaction Merger and Spin-off:

- *Unlocking the value of the Merger Businesses.* The Company believed that its share price had consistently failed to reflect the underlying value of the entire Esports business and WPT Business of the Company. The Transaction Merger and Spin-off valued these businesses at approximately US$203 million (approximately HK$1,587 million), which significantly exceeded the Company's market capitalization of approximately HK$798 million as at 16 June 2019. The consideration included AESE's assumption of the Company Notes and the payment of such Company Notes in full upon Completion of the Spin-off, resulting in the Company's debt forgiveness of US$35 million (approximately HK$273.7 million), which in itself represented almost one-third of the Company's market capitalization. The Transaction Merger and Spin-off valued these businesses at approximately US$203 million (approximately RMB1,363 million), which significantly exceeded the net liabilities of the Disposal Group of the Spin-off approximately RMB2.4 million as at 31 December 2018, amounted to approximately RMB1,365.4 million.

- *Enhance corporate structure.* A separate listing of the entire Esports business and WPT Business of the Company would enhance the corporate structure of both the Disposal Group of the Spin-off and the Remaining Group of the Spin-off. The Disposal Group of the Spin-off would focus on the entire Esports business and WPT Business of the Company, which by their nature are distinct (both functionally and geographically), whereas the Remaining Group of the Spin-off would focus on the online games businesses. It would allow the management teams of the Disposal Group of the Spin-off and the Remaining Group of the Spin-off to specialize in the respective core businesses of the two groups of companies, thereby enhancing operational efficiency.

- *Provide new sources of capital.* The Transaction Merger and Spin-off would enable the entire Esports business and WPT Business of the Company to establish their own shareholder base and independently access both equity and debt capital markets, as well as the bank credit market, on potentially more advantageous terms than were available. The separate listing would also provide new and more diversified funding sources to finance the existing operations and future expansion of the Disposal Group of the Spin-off, including by way of the no less than US$80 million in cash and cash equivalents required to be held by AESE at Completion of the Spin-off.

- *Enhance corporate and brand awareness.* The Transaction Merger and Spin-off would help enhancing the profile of the entire Esports business and WPT Business of the Company and growing their investor base. The U.S. listing status of a subsidiary of the Group might also raise the customer confidence level towards the Group and enhance the Group's corporate and brand awareness.

- *Increase transparency on business operations.* A separate listing of the entire Esports business and WPT Business of the Company would provide investors and rating agencies with greater clarity on the business operations and financial status of the Disposal Group of the Spin-off, thereby allowing the research community and rating agencies to provide coverage on the entire Esports business and WPT Business of the Company and making it more comparable to industry peers, which in turn would further enhance the corporate profile of the Disposal Group of the Spin-off and the Remaining Group of the Spin-off.

- *Provide suitable financial incentives to key employees.* A separate listing of the entire Esports business and WPT Business of the Company would enable them to offer listed securities to their key employees as part of their remuneration package. Competition for senior managers in the technology sector was intense. The ability by AESE to offer attractive remuneration packages to its key employees was important to its continued success.

- *No adverse impact on the interests of shareholders of the Company.* As described above, the Company believed the Transaction Merger and Spin-off offered significant commercial benefits to the Shareholders. The Company did not believe the Transaction Merger and Spin-off would adversely impact the interests of the Shareholders.

For further information of the Spin-off, please refer to the Company's circular dated 19 June 2019 and the Company's announcement dated 10 July 2019 and 11 August 2019.

INFORMATION OF THE PURCHASER

The Purchaser is a Delaware limited liability company that is a special purpose vehicle specifically set up for acquiring and holding the business of the Target Group in the Disposal. It is owned by Future Growth Fund, an investment fund (the "**Fund**") with an existing total investment amount of not less than HK$1.5 billion. The fund focuses on investments in the technology, media and telecom sector, and its investment manager is AYASA Globo Financial Services Limited. The Company understands that the amount of interests held by each of the investors in the Fund is evenly distributed ranging from the least amount of interest of approximately 5% to the highest amount of interest of approximately 10%.

To the understanding of the Company, except the WPT Business, no other investment with business operations has been made by the Fund as at the date of the circular, but the Fund currently has loans financed, equities and options as well as mutual funds in its portfolio (as financial structured products) to make use of its funds. The Company has been informed by the Fund that the Fund does not have an investment mandate. Its main investment objective is to generate consistent, long-term capital growth. It intends to adopt an absolute return approach, and will not follow a rigid investment policy that limits the Fund from participating in any market, strategy or investment. Apart from the WPT Business which the Fund has invested in, in the case if no suitable investments can be identified by the Fund, the specific investment strategy that the Fund adopts may include investment in equity and debt securities, currencies, options, futures, options on futures and other derivative instruments negotiated in various capital markets. The Fund may also allocate its assets among private investment vehicles, mutual funds or other accounts managed by portfolio managers who invest in a variety of financial markets. It may also undertake placement and underwriting of securities, and participate in early-stage companies prior to the initial public offering of such companies.

As the Fund has been established to focus on investments on technology, media and telecom, it intends to make further relevant investments in such areas in North America and Asia when opportunities arise in the future. At present, the Fund is continuing to look for investments with business operations in the areas of media, telecom, online game as well as digital and entertainment in Asia.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) were all Independent Third Parties as at the Latest Practicable Date. The Company was informed that the person representing the Fund who negotiated and exerted influence on the Disposal is Mr. Thomas C. Goldstein ("**Mr. Thomas**"), who is not only the legal representative of the Fund but also the representative in the United States of the investment manager of the Fund. He is an authorized person responsible for identifying potential investments and is empowered to making decisions on investments according to the investment policy.

During the negotiations and discussions with AESE for the Disposal, Mr. Thomas has all along been the sole person making decisions in areas such as the scope of due diligence for the Disposal, the negotiations on the terms of the Stock Purchase Agreement and the Consideration.

INFORMATION OF THE COMPANY AND OTHER PARTIES TO THE STOCK PURCHASE AGREEMENT

The Company

The Company is incorporated in the Cayman Islands as a company with limited liability, the issued Shares of which are listed on the Hong Kong Stock Exchange. The principal activity of the Company is investment holding. As at the date of this circular, the Group is primarily engaged in the development and operation of PC and mobile card and board games in the PRC via its PRC subsidiaries and the operation of an esports business and the World Poker Tour via AESE.

AESE

AESE is a Delaware corporation whose shares are listed on Nasdaq with ticker symbol AESE, and is a non-wholly owned subsidiary of the Company. It is a global esports entertainment venture dedicated to providing transformative live experiences, multiplatform content and interactive services to audiences worldwide through its strategic fusion of two powerful entertainment brands: Allied Esports International, Inc. and the World Poker Tour.

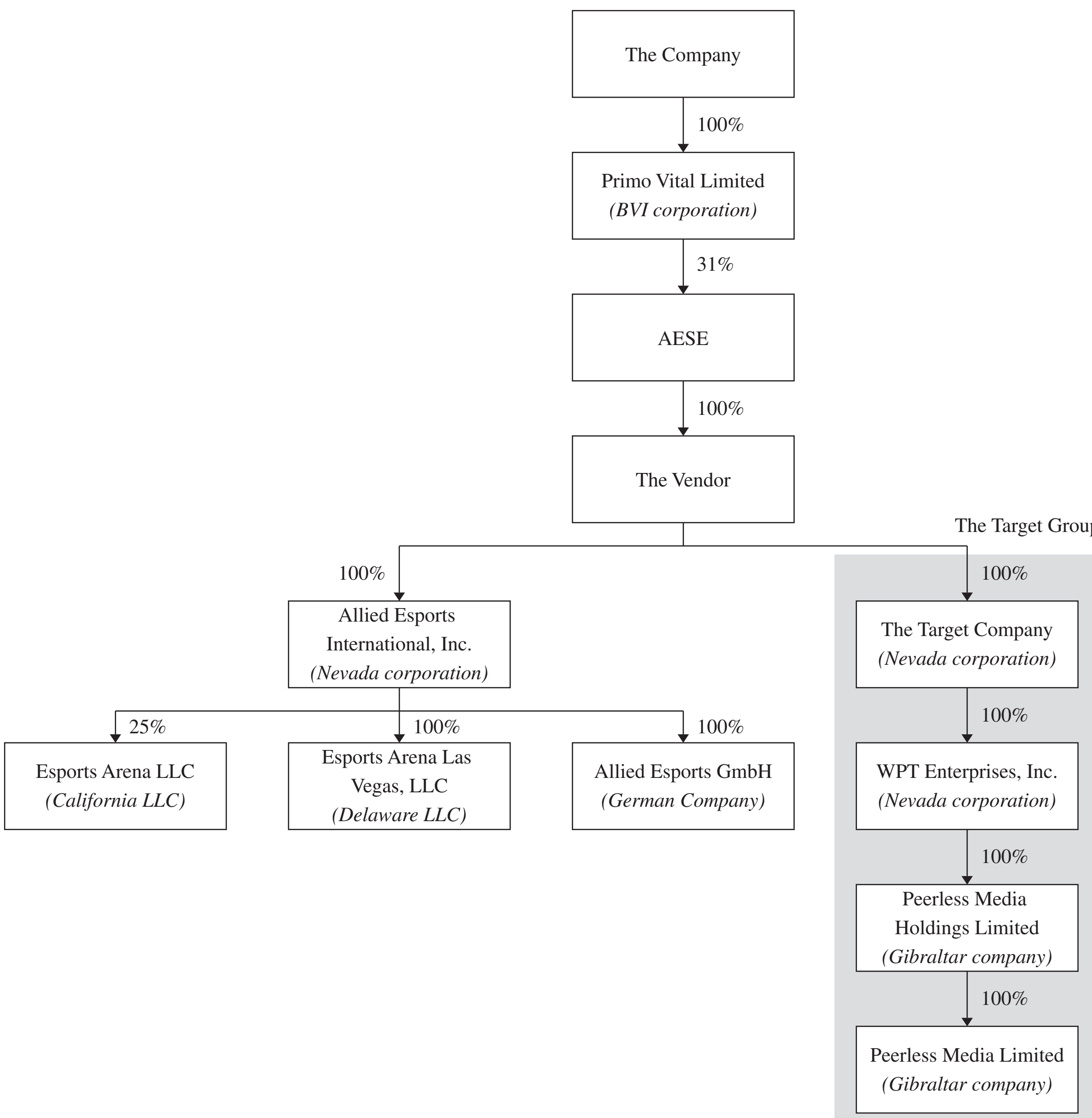
The Vendor

The Vendor is a Delaware corporation. AESE owns beneficially and of record 100% of the issued and outstanding equity interests of the Vendor. It is an investment holding company.

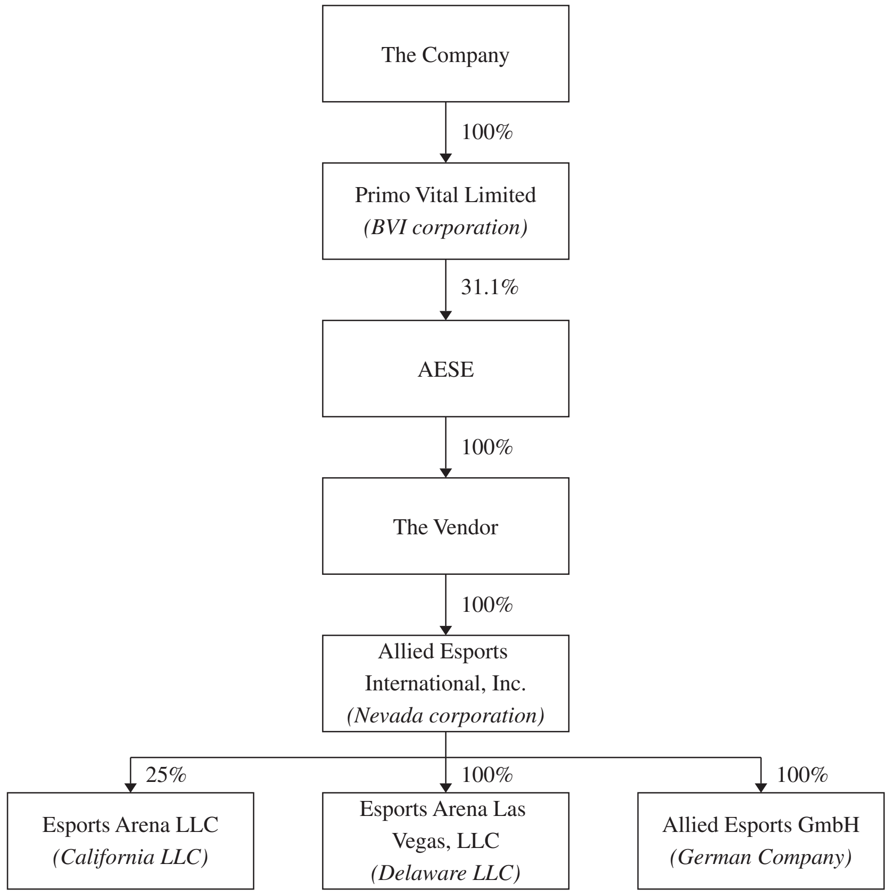
The Target Company

The Target Company is a Nevada corporation. The Vendor owns beneficially and of record 100% of the issued and outstanding equity interests of the Target Company. It owns and operates, through the Target Group, a poker-related business, commonly known as the World Poker Tour. World Poker Tour is the premier name in internationally televised gaming and entertainment with brand presence in land-based tournaments, television, online, and mobile.

The following diagram illustrates the simplified shareholding structure of the Group as at the Latest Practicable Date:



The following diagram illustrates the simplified shareholding structure of the Remaining Group after Closing:



FINANCIAL INFORMATION OF THE TARGET GROUP

The following is a summary of the unaudited net (loss)/profit before and after taxation of the Target Group for the two years ended 31 December 2018 and 2019, the six months ended 30 June 2020 and the nine months ended 30 September 2020, respectively as reviewed by the auditors of the Company:

	For the year ended		**For the six moths ended**	**For the nine months ended**
	31 December 2018	**31 December 2019**	**30 June 2020**	**30 September 2020**
	(US\$'000)	*(US\$'000)*	*(US\$'000)*	*(US\$'000)*
Revenue	16,327	18,524	8,949	14,241
Net (loss)/profit before taxation	(2,074)	(1,177)	49	628
Net (loss)/profit after taxation	(2,074)	(1,177)	49	628

Note 1: The figures shown herein are based on Appendix II-2 to this circular.

The net profit made by the Target Group for the six months ended 30 June 2020 and the nine months ended 30 September 2020 was due to an increase in new registrations of the Target Group's flagship online subscription platform as in-person events postponed or cancelled as a result of COVID-19. Total subscription revenue was also up during this the same time. The shift online also fostered the Target Group's largest event in its 18-year history for the World Poker Tour Online Championship on partypoker and the Target Company's largest series, also on partypoker, the World Poker Tour World Online Championships featuring a US$100 million guaranteed prize pool. The World Poker Tour television show, which has been on linear television since 2003, also reached new heights in distribution in 2020, peaking in global viewership on both linear and over-the-top platforms this year.

The unaudited net assets position of the Target Company as at 30 June 2020 (as reviewed by the reporting accountants of the Company for the preparation of this circular) was approximately US$32.9 million (equivalent to approximately HK$255.0 million) which may be subject to changes and adjustments after review by the reporting accountants of the Company as at Closing.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board noted that the financial performance of the Target Group (being lossmaking for the two financial years ended 31 December 2019) has deteriorated in the past two years. Although the net profit of the Target Group was approximately US$49,000.0 (equivalent to approximately HK$0.4 million) and US$628,000.0 (equivalent to approximately HK$4.9 million) for the six months ended 30 June 2020 and the nine months ended 30 September 2020, respectively due to the reasons mentioned in the paragraph headed "Financial Information of the Target Group" above, the Board believes that the profit made by the Target Group may not be sustainable in light of the present global economic situations.

The Vendor had been presented with different unsolicited offers over the years. These offers were in general in the range of US$45 million (equivalent to approximately HK$348.8 million) to US$55 million (equivalent to approximately HK$426.4 million). The final offer presented by the Purchaser at US$78.25 million (equivalent to approximately HK$606.6 million) is significantly higher than expectation of the management of AESE and the Company, which is valued at approximately four times of the Target Group's 2019 revenue and approximately 15.7 times of the Target Group's 2019 EBITDA.

The World Poker Tour business now operated by the Target Group was acquired by the Company at a consideration of US$35 million (equivalent to approximately HK$271.3 million) in June 2015. As such, the Company (through AESE) will make a substantial profit on the Disposal. The Board considers that it is a good offer and believes that the Disposal will garner significant capital and an avenue to determine new opportunities that will deliver accelerated returns for the Shareholders.

The Board also believes 5% of the aggregate entry fees from all World Poker Tour-branded tournaments as a base percentage for the additional consideration is reasonable. Entry fees for poker tournaments have two components: (1) the buy-in amount, which is the amount that is added to the prize pool for the event and can be won by the players; and (2) the "rake", which is an industry term for the fee paid by the player to the event operator for putting on the event. Typically, a brand licensor like the World Poker Tour would only get a revenue share on the "rake", making the

Purchaser's proposal of sharing revenue also on the total buy-in amount very favorable. Given this broader base for the revenue share component (that is, including both the buy-in amount and the "rake") and the guaranteed amount of up to a maximum of US$10 million (equivalent to approximately HK$77.5 million) as stated under the section headed "CONSIDERATION AND PAYMENT TERMS", a percentage of 5% is therefore considered reasonable.

Furthermore, AESE believes that the foregoing estimated final consideration is reasonable. As is typical, the Disposal is structured as a cash-free, debt-free deal. A fairness opinion being delivered by AESE's independent third party financial advisor, reflects a fair value which is in excess of the Consideration based on each valuation approach (public trading multiples, discounted cash flow, investor returns, sum-of-the-parts, and selected transaction analyses) utilized. In addition, there exists a number of risks and uncertainties about continuing to operate the Target Group that AESE considered, including the risks involved in case of any expansion of the current business into new jurisdictions or markets, the need for additional capital to expand its business, and the adverse impacts and uncertainties that COVID-19 has had on the Target Group's ability to host in-person shows and the delays in the production of its television shows.

As at the Latest Practicable Date, the Company and its Directors had no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on (i) any further disposal of, termination or scaling down of the Company's existing business apart from the Disposal (other than considering any proposed disposal of e-sports business under AESE if and when there is a suitable opportunity arises that allows the e-sports business to be sold at a reasonable or even better price); (ii) injection of any new business to the Group; and (iii) any change in the Company's shareholding structure or composition of the Board. However, at this stage, no potential or particular buyer has been identified and there are no initial or on-going negotiations in respect of the sale of the e-sports business. The Company and AESE will also strive to explore strategic options for its e-sports business with a view of the substantial profits to be made from the Disposal.

In view of the above, the Board is of the view that the transactions under the Stock Purchase Agreement are on normal commercial terms, the terms and conditions of the Stock Purchase Agreement are fair and reasonable, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon the Closing, the Target Group will cease to be subsidiaries of AESE and the Company, and the financial results of the Target Group will no longer be consolidated into the financial statements of AESE and the Group.

The Consideration of the Disposal is US$78.25 million (equivalent to approximately HK$606.6 million). The unaudited consolidated net assets position of the Target Group as at 30 June 2020 was approximately US$32.9 million (equivalent to approximately HK$255.0 million). The unaudited consolidated net asset position of the Target Group as at 30 September 2020 was approximately US$33.4 million (equivalent to approximately HK$258.9 million). The Group is expected to record a net gain before taxation from the Disposal of approximately US$25.6 million (equivalent to approximately HK$198.5 million) (unaudited) after Closing, representing the difference between the Consideration of the Disposal received under the Stock Purchase Agreement and the carrying value of the assets in the accounts of the Target Company. Shareholders should note that the actual gain from the Disposal to be recorded by the Company will depend on the carrying value of the assets of the Target Company as at the date of Closing, and therefore may be different from the amount mentioned above.

USE OF PROCEEDS

The Company estimated that net proceeds (before paying any estimated transaction expenses, and including all Tournament Payments) would be approximately US$76.66 million (equivalent to approximately HK$594.3 million), and approximately US$66.66 million (equivalent to approximately HK$516.8 million) of net proceeds (before paying any estimated transaction expenses but excluding any Tournament Payments) would be payable at the Closing.

The Company intends to use the net proceeds from the Disposal for the following purposes:

(i) approximately 5% of the net proceeds (approximately US$3.83 million) (equivalent to approximately HK$29.7 million) for the repayment of existing debts;

(ii) approximately 20% of the net proceeds (approximately US$15.33 million) (equivalent to approximately HK$118.9 million) for research and development of the existing online card and board games owned by the Company;

(iii) approximately 30% of the net proceeds (approximately US$23.00 million) (equivalent to approximately HK$178.3 million) for investment and development in other games related sectors, such as developing offline tournaments of card and board games, the research and development, launch and/or operation of non-card and board games;

(iv) approximately 30% of the net proceeds (approximately US$23.00 million) (equivalent to approximately HK$178.3 million) for expanding and developing existing business abroad, such as the research and development to localize and update the existing card and board games of the Group with a focus on countries in the Southeast Asia and other countries. Southeast Asia is one of the regions with relatively strong economic growth in recent years, in which many gaming companies in the PRC will shift their focus to. For other countries in America and Europe, the Company is also conducting market research and is planning to launch promotion campaign focusing on users in such countries. In addition, the Company is cooperating with a Canadian company in respect of research and development of games. The Company may also organize board and card games tournaments in such countries in order to attract more new game players or to provide product development support for overseas game companies; and

(v) approximately 15% of the net proceeds (approximately US$11.50 million) (equivalent to approximately HK$89.1 million) for general working capital, among which, approximately 50% for human resources, research and development costs; approximately 45% for distribution channel costs for promotion of the games owned by the Group; approximately 4% for marketing costs; and approximately 1% for the maintenance of servers and tax and other related expenses.

The Company will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders' approval requirements.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.

EGM

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein. The EGM will be held at the Conference Room, 10/F, Tower B Fairmont, No. 1 Building, 33# Community, Guangshun North Street, Chaoyang District, Beijing, the PRC, on Monday, 29 March 2021 at 10:00 a.m. or any adjournment thereof.

A form of proxy for the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish. Pursuant to the Listing Rules, voting by poll is required for any resolution put to vote at the EGM.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 24 March 2021 to Monday, 29 March 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 March 2021.

After the entering into of the Stock Purchase Agreement, each of Choi Shun Investment Limited ("**Choi Shun**"), a company incorporated in Macau with limited liability and controlled by Mr. Li Yangyang, our Chairman and Executive Director, and Glassy Mind Holdings Limited ("**Glassy Mind**"), a company incorporated in the British Virgin Islands with limited liability, and Jianying Ourgame High Growth Investment Fund ("**Jianying Ourgame**") entered into a deed of irrevocable undertaking on 20 January 2021, pursuant to which each of Choi Shun, Glassy Mind and Jianying Ourgame irrevocably and unconditionally undertakes to the Purchaser, subject to compliance with the Listing Rules, to vote their Shares in favour of approval of the Stock Purchase Agreement and the transactions contemplated thereunder in the EGM. Choi Shun, Glassy Mind and Jianying Ourgame have also agreed to grant to the Purchaser a proxy to vote their Shares in favour of approval of the Stock Purchase Agreement and the transactions contemplated thereunder if requested by the Purchaser in advance. Choi Shun and Glassy Mind collectively owned or controlled an aggregate of approximately 52.18% of the Shares as at the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby any one of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Disposal and the transactions contemplated under the Stock Purchase Agreements are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Disposal and the transactions contemplated under the Stock Purchase Agreement.

Your faithfully
For and on behalf of the Board
Ourgame International Holdings Limited
Li Yangyang
Chairman and Executive Director

* *for identification purposes only.*

1. THREE-YEAR AUDITED FINANCIAL INFORMATION

Financial information of the Group for the three years ended 31 December 2019 and the six months ended 30 June 2020 has been disclosed on pages 112 to 284 of the annual report of the Group for the year ended 31 December 2019 (available from the hyperlink: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700609.pdf), pages 119 to 296 of the annual report of the Group for the year ended 31 December 2018 (available from the hyperlink: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429711.pdf), and pages 110 to 272 of the annual report of the Group for the year ended 31 December 2017 (available from the hyperlink: https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltn20180419435.pdf), and pages 30 to 76 of the interim report of the Group for the six months ended 30 June 2020 (available from the hyperlink: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0921/2020092100526.pdf), respectively, which have been published on both the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.lianzhong.com/).

2. INDEBTEDNESS STATEMENT

At the close of business on the Latest Practicable Date prior to the printing of the circular for the purpose of this indebtedness statement, the total outstanding borrowings and liabilities of the Group comprise the following:

	As at 31 January 2021
	US$'000
Convertible debts	2,144
Bridge note payable, unsecured	1,421
Loans payables, unsecured	907
Lease liabilities*	12,139
	16,611

The convertible notes issued are secured by all assets of AESE.

As at 31 January 2021, the Group did not have banking facilities.

* The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. As at 31 January 2021, the Group had current and non-current lease liabilities amounting to US$1,065 million and US$11,074 million respectively.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 January 2021, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after due and careful enquiry, after taking into account the financial resources available to the Group (including but not limited to internally generated fund, cash and cash equivalents and other external facilities from banks), and the proceeds from the Disposal, the Group will have sufficient working capital for its present requirements for a period of twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2020, we continued to see the stabilization and rebuilding of the Company's China business and continued growth in its overseas business. Given the COVID-19 pandemic, continued challenging regulatory environment and market conditions within China, the Company continued to optimize its cost structure across its China online games operations, selectively shifting away from less profitable games and distribution channels, and re-focused on developing games that are compliant with regulations and have high potential for positive financial returns.

The Company has leveraged its brand and loyal user base to launch a number of "user recall" marketing efforts to reactivate dormant users, together with redevelopment of core classic games with new features, which have shown good results. The Company also introduced the "free-to-user, paid-by-advertiser" business model into the Company's new mobile games that brought in a new stream of revenue and broadened our user base. Besides the traditional app based games, the Company has expanded into HTML5 and "small program" type of games which enabled us to reach new distribution channels and partners. While there is still significant room for improvement and advancement, we believe that through the efforts in 2020, we have achieved a rebase-lining of the China online games businesses and laid the foundation to explore new avenue for growth going forward.

In the first half of 2020, AESE organized over 70 events, including proprietary online events and third-party productions, across its North American and European business units. AESE pivoted its in-arena offerings to online events and production services in mid-March as a response to the COVID-19 pandemic. This strategy grew the user base at a time when the flagship HyperX Esports Arena Las Vegas at the Luxor Hotel & Casino was temporarily closed. Regulations in the State of Nevada of the United States allowed the re-opening of casinos in June 2020 and in the same month, the Luxor Hotel and HyperX Esports Arena opened its doors to customers, with restrictions. AESE also launched multiple programming offerings, both proprietary and with partners, in the first half of 2020, including the production of HyperX Game Spotlight, a deep dive episodic program focused on game developers telling the stories behind the inspiration and evolution of their games, and Esportstudio, which brings traditional sports athletes together to compete in the video game version of their sport. In addition to live streaming on Twitch, Esportstudio also aired live on Germany's platform. AESE also launched the 12th edition of its Legend Series event IP featuring VALORANT, the most popular new game from Riot Games.

During the first half of 2020, the Target Group partnered with Budweiser and World Central Kitchen to produce the King's Celebrity Poker Challenge on ClubWPT, which was aired on FS1 and OTT platforms with an audience base that reached more than one million nationwide viewers. With many live events cancelled, ClubWPT provides an opportunity for the Target Group to pivot online by leveraging the Company's assets, including having featured the Target Group talent live stream their plays on ClubWPT in a regular series of online tournaments on Twitch, which has promoted the ClubWPT product in front of thousands of weekly viewers. In addition, the Target Group Seasons 12 and 13 were distributed in over 70% of the syndication marketplace for linear TV in the United States. With such distribution and user reach, the Target Group may be in a position to sell national ad buys in 2021, potentially increasing future ad sales revenues. Revenues derived from YouTube and Twitch have also increased due to live streaming initiatives with airing the Target Group's content library.

Going forward, the Company will continue to grow its China domestic businesses through its China subsidiaries while further expanding the growth overseas through AESE. The Company will also actively look for growth opportunities by acquisition and asset injections through both AESE and the Company's other subsidiaries.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Group were made up.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated statements of financial position of Target Group as at 31 December 2017, 2018 and 2019 and 30 September 2020 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2019 and the nine months ended 30 September 2020 (the "**Unaudited Financial Information**").

The Unaudited Financial Information has been prepared on the basis set out in note 2 to the Unaudited Financial Information of the Target Group below and prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal. The Company's auditor, Grant Thornton Hong Kong Limited, was engaged to review the Unaudited Financial Information of the Target Group set out on page II-2 to II-7 of this circular in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board (the "**IAASB**") and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review on the Unaudited Financial Information of the Target Group, nothing has come to the auditor's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information of the Target Group.

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET GROUP

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	91,739	108,024	129,225	99,182	96,980
Cost of revenue	(71,419)	(32,557)	(42,282)	(32,907)	(33,618)
Gross profit	20,320	75,467	86,943	66,275	63,362
Other income	—	277	127	110	45
Selling and marketing expenses	(20,706)	(13,946)	(14,038)	(10,601)	(6,186)
Administrative expenses	(90,926)	(75,522)	(80,025)	(63,240)	(51,076)
Finance costs	—	—	(1,221)	(819)	(1,867)
(Loss)/Profit before income tax	(91,312)	(13,724)	(8,214)	(8,275)	4,278
Income tax credit	—	—	—	—	—
(Loss)/Profit for the year/period	(91,312)	(13,724)	(8,214)	(8,275)	4,278
Other comprehensive (expense)/ income for the year/period					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	(11,508)	10,569	4,007	7,436	(6,338)
Total comprehensive expense for the year/period	(102,820)	(3,155)	(4,207)	(839)	(2,060)

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE TARGET GROUP

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets				
Property, plant and equipment	13,909	4,886	17,233	12,490
Right-of-use assets	—	—	28,094	25,930
Intangible assets	215,580	234,875	234,934	220,150
Total non-current assets	229,489	239,761	280,261	258,570
Current assets				
Amounts due from group companies	—	—	23,551	48,563
Trade and other receivables	5,536	8,882	12,938	10,545
Bank balances and cash	5,782	34,053	36,019	32,954
Total current assets	11,318	42,935	72,508	92,062
Current liabilities				
Trade and other payables	18,977	16,919	33,169	34,705
Amounts due to group companies	66,043	—	—	—
Deferred revenue	11,375	22,417	26,246	18,762
Lease liabilities	—	—	475	475
Loans payables	—	—	—	2,573
Total current liabilities	96,395	39,336	59,890	56,515
Net current (liabilities)/assets	(85,077)	3,599	12,618	35,547
Total assets less current liabilities	144,412	243,360	292,879	294,117
Non-current liabilities				
Lease liabilities	—	—	28,096	29,300
Loans payables	—	—	—	2,094
	—	—	28,096	31,394
Net assets	144,412	243,360	264,783	262,723
EQUITY				
Reserves	144,412	243,360	264,783	262,723
Total equity	144,412	243,360	264,783	262,723

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET GROUP

	Share capital*	Translation reserve	Contribution from parent company	Other reserve	Accumulated losses	Total Equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 January 2017	—	(21,567)	1,804	568,633	(304,905)	243,965
Loss for the year	—	—	—	—	(91,312)	(91,312)
Other comprehensive expense for the year	—	(11,508)	—	—	—	(11,508)
	—	(11,508)	—	—	(91,312)	(102,820)
Share-based payment	—	—	3,267	—	—	3,267
As at 31 December 2017	—	(33,075)	5,071	568,633	(396,217)	144,412
As at 1 January 2018	—	(33,075)	5,071	568,633	(396,217)	144,412
Loss for the year	—	—	—	—	(13,724)	(13,724)
Other comprehensive income for the year	—	10,569	—	—	—	10,569
	—	10,569	—	—	(13,724)	(3,155)
Cancellation of share option granted by parent company	—	—	(5,071)	—	—	(5,071)
Contributions from holding company	—	—	—	107,174	—	107,174
As at 31 December 2018	—	(22,506)	—	675,807	(409,941)	243,360
As at 1 January 2019	—	(22,506)	—	675,807	(409,941)	243,360
Loss for the year	—	—	—	—	(8,214)	(8,214)
Other comprehensive income for the year	—	4,007	—	—	—	4,007
	—	4,007	—	—	(8,214)	(4,207)
Contribution from holding company	—	—	—	25,630	—	25,630
As at 31 December 2019	—	(18,499)	—	701,437	(418,155)	264,783

	Share capital* RMB'000 (unaudited)	Translation reserve RMB'000 (unaudited)	Contribution from parent company RMB'000 (unaudited)	Other reserve RMB'000 (unaudited)	Accumulated losses RMB'000 (unaudited)	Total Equity RMB'000 (unaudited)
As at 1 January 2020	—	(18,499)	—	701,437	(418,155)	264,783
Profit for the period	—	—	—	—	4,278	4,278
Other comprehensive expense for the period	—	(6,338)	—	—	—	(6,338)
	—	(6,338)	—	—	4,278	(2,060)
As at 30 September 2020	—	(24,837)	—	701,437	(413,877)	262,723
At 1 January 2019	—	(22,506)	—	675,807	(409,941)	243,360
Loss for the period	—	—	—	—	(8,275)	(8,275)
Other comprehensive income for the period	—	7,436	—	—	—	7,436
	—	7,436	—	—	(8,275)	(839)
Contribution from holding company	—	—	—	25,078	—	25,078
At 30 September 2019	—	(15,070)	—	700,885	(418,216)	267,599

* *Represented one share of RMB0.13*

D. CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE TARGET GROUP

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before taxation	(91,312)	(13,724)	(8,214)	(8,275)	4,278
Depreciation of property, plant and equipment	6,591	7,688	5,049	4,307	5,052
Depreciation of right-of-use assets	—	—	341	—	1,496
Amortisation of intangible assets	45,972	26,020	37,002	26,645	21,840
Interest expenses	—	—	1,221	819	1,867
Interest income	—	(3)	(1)	(1)	—
Loss on disposal of property, plant and equipment	—	4,291	—	—	—
Share based compensation	3,267	—	—	—	—
Operating (loss)/profit before Working Capital changes	(35,482)	24,272	35,398	23,495	34,533
Decrease/(Increase) in trade and other receivables	704	(3,346)	(4,056)	(8,409)	2,393
(Decrease)/Increase in trade and other payables	(4,051)	(2,059)	16,251	10,048	1,535
(Decrease)/Increase in deferred revenue	(1,605)	11,042	3,829	(3,723)	(7,484)
Cash (used in)/generated from operations	(40,434)	29,909	51,422	21,411	30,977
Interest received	—	3	1	1	—
Net cash (used in)/generated from operating activities	(40,434)	29,912	51,423	21,412	30,977

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(6,406)	(4,862)	(17,317)	(8,102)	(718)
Purchase of intangible assets	(23,918)	(34,157)	(33,194)	(26,654)	(12,650)
Proceeds from disposal of property, plant and equipment	—	2,257	—	—	—
Net cash used in investing activities	(30,324)	(36,762)	(50,511)	(34,756)	(13,368)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	—	—	(1,221)	(819)	(1,867)
Advance from/(to) group companies	58,273	40,302	2,079	3,739	(25,573)
Proceeds from loan payables	—	—	—	—	4,667
Payment of lease liabilities	—	—	(275)	—	(559)
Net cash from/(used in) financing activities	58,273	40,302	583	2,920	(23,332)
Net (decrease)/increase in cash and cash equivalents	(12,485)	33,452	1,495	(10,424)	(5,723)
Cash and cash equivalents brought forward	17,280	5,782	34,053	34,053	36,019
Effect of foreign exchange rate changes	987	(5,181)	471	110	2,658
Cash and cash equivalents at end of year/period, represented by bank balances and cash	5,782	34,053	36,019	23,739	32,954

NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP
For each of the years ended 31 December 2017, 2018 and 2019, and nine months ended 30 September 2020

1. GENERAL INFORMATION

Ourgame International Holdings Limited was incorporated in the Cayman Islands with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The Company is an investment holding company and its subsidiaries 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 primarily in the People's Republic of China and the United States.

Allied Esports Entertainment, Inc. ("AESE") is the subsidiary of Ourgame International Holdings Limited and listing in NASDAQ of the United States, and the business included WPT business and eSports business.

Club Services, Inc. (the "Target Company") is a Nevada corporation. AESE, an indirect non-wholly owned subsidiary of the Company, owned beneficially and of record 100% of the issued and outstanding equity interests of the Target Company. The Target Company owns and operates through its subsidiaries a poker-related business, commonly known as the World Poker Tour. World Poker Tour is the premier name in internationally televised gaming and entertainment with brand presence in land-based tournaments, television, online, and mobile.

On 19 January 2021 (U.S. time), the Vendor, an indirect non-wholly owned subsidiary of the Company, the Target Company, AESE and the Purchaser entered into the Stock Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity Interests for a total consideration of US$78.25 million (equivalent to approximately HK$606.6 million).

Upon the Closing, the Target Group will cease to be subsidiaries of AESE and the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of AESE and the Group.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information of the Target Group for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 have been prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company as set out in its annual reports for the years ended 31 December 2017, 2018 and 2019 and its interim report for the six months ended 30 June 2020, which conform with the International Financial Reporting Standards ("IFRSs") (which include all IFRSs, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board.

The Unaudited Financial Information has been prepared under the historical cost convention.

The Unaudited Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB000") except when otherwise indicated. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in IAS 1 (Revised) "Presentation of Financial Statements" nor an interim report as defined in IAS 34 "Interim Financial Reporting" and should be read in connection with the relevant published annual reports and interim report of the Group.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has initially applied IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on 1 January 2018, and IFRS 16 "Leases" on 1 January 2019.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting IFRS 9, the Target Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

— the classification and measurement of the Target Group's financial assets.

— IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in IAS 39.

The Target Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including bank balances and cash and trade and other receivables).

For trade receivables, the Target Group applies a simplified approach of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Target Group's financial assets as at 1 January 2018.

Financial assets	*Note*	**Classification under IAS 39**	**Classified under IFRS 9**	**Carrying amount under IAS 39** *RMB'000*	**Carrying amount under IFRS 9** *RMB'000*
Trade and other receivables	*(i)*	Loans and receivables	Amortised cost	3,506	3,506
Bank and cash	*(i)*	Loans and receivables	Amortised cost	5,782	5,782

Note:

(i) Trade and other receivables and bank and cash balances that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to IFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15") replace IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations.

(i) Timing of revenue recognition

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Target Group recognises revenue.

IFRS 16 "Leases"

As a Lessee

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", IFRIC 15 "Operating Leases-Incentives" and IFRIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Target Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Target Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Target Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Target Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

Upon adoption of IFRS 16, no significant impact to the Target Group's financial statement as at 1 January 2019.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the unaudited pro forma financial information of the Group, comprising the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 of the Group excluding the Target Group upon the completion of the Disposal (the "Remaining Group") (collectively the "Unaudited Pro Forma Financial Information") which have been prepared to illustrate the effect of the Disposal (i) as if the Disposal had been completed on 30 June 2020 for the unaudited pro forma consolidated statement of financial position, and (ii) as if the Disposal had been completed on 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position, the financial performance and cash flows of the Remaining Group had the Disposal had been completed as at 30 June 2020 or 1 January 2019, where applicable, or any future dates.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, which has been extracted from the published interim report of the Company for the six months ended 30 June 2020, after making certain pro forma adjustments that are directly attributable to the Disposal and factually supportable, as set out below. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019, which have been extracted from the published annual report for the year ended 31 December 2019, after making certain pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group for the year ended 31 December 2019	Pro forma adjustments			The Remaining Group for the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 5*	*Note 6*	*Note 4*	
Revenue	272,607	(129,225)			143,382
Cost of revenue	(144,987)	42,282			(102,705)
Gross profit	127,620				40,677
Other income	3,712	(127)			3,585
Selling and marketing expenses	(44,923)	14,038			(30,885)
Administrative expenses	(249,575)	80,025			(169,550)
Share-based compensation expense	(3,195)				(3,195)
Research and development expenses	(393)				(393)
Finance costs	(14,873)	1,221		(3,507)	(17,159)
Share of losses of associates	(2,273)				(2,273)
Fair value changes of financial assets at fair value through profit or loss	(28,668)				(28,668)
Loss on disposal of Associates	(12,213)				(12,213)
Gain/(Loss) on disposal of subsidiaries	(56,025)		157,392		101,367
Loss on disposal of financial assets at fair value through profit or loss	(672)				(672)
Impairment of assets	(175,474)				(175,474)
(Loss)/Profit before income tax	(456,952)				(294,853)
Income tax expense/(credit)	687				687
(Loss)/Profit for the year	(456,265)				(294,166)
Other comprehensive loss for the year					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	(8,938)	(4,007)			(12,945)
Total comprehensive (loss)/income for the period	(465,203)				(307,111)
(Loss)/Profit for the year attributable to:					
Equity holders of the Company	(419,213)	4,247	81,372	(1,813)	(335,407)
Non-controlling interests	(37,052)	3,967	76,020	(1,694)	41,241
	(456,265)				(294,166)
Total comprehensive (loss)/profit for the year attributable to:					
Equity holders of the Company	(428,654)	2,175	81,372	(1,813)	(346,920)
Non-controlling interests	(36,549)	2,032	76,020	(1,694)	39,809
	(465,203)				(307,111)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group as at 30 June 2020	**Pro forma adjustments**			**The Remaining Group as at 30 June 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Property, plant and equipment	132,515	(12,490)			120,025
Right-of-use assets	83,932	(25,930)			58,002
Intangible assets	276,371	(220,150)	(38,173)		18,048
Goodwill	102,749		(102,749)		—
Financial assets measured at fair value through profit or loss	55,470				55,470
Non-current prepayment	35,398				35,398
Non-current receivable	—		56,678		56,678
	686,435				343,621
Current assets					
Inventories	504				504
Trade and other receivables	35,149	(10,545)			24,604
Loan to third parties	7,928				7,928
Amounts due from group companies	—	(48,563)	48,563		—
Tax recoverable	115				115
Bank balances and cash	190,344	(32,954)	516,130	(94,078)	579,442
Restricted bank balances	35,398				35,398
	269,438				647,991
Current liabilities					
Trade and other payables	95,043	(34,705)	13,202	(2,673)	70,867
Deferred revenue	40,344	(18,762)			21,582
Convertible note — current	63,716			(63,716)	—
Lease liabilities — current	8,318	(475)			7,843
Loans payables — current	4,686	(2,573)			2,113
Income tax payable	1,354				1,354
	213,461				103,759
Net current assets	55,977				544,232
Total assets less current liabilities	742,412				887,853

	The Group as at 30 June 2020	Pro forma adjustments			The Remaining Group as at 30 June 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current liabilities					
Deferred tax liabilities	2,048		(1,754)		294
Convertible note — non-current	14,121			(14,121)	—
Lease liabilities — non-current	82,685	(29,300)			53,385
Loans payables — non-current	16,649	(2,094)		(10,061)	4,494
					—
	115,503				58,173
Net assets	626,909				829,680
EQUITY					
Share capital	336				336
Reserves	351,824		87,235	(1,483)	437,576
Equity attributable to owners of the Company	352,160				437,912
Non-controlling interests	274,749		119,043	(2,024)	391,768
Total equity	626,909				829,680

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2019	Pro forma adjustments			The Remaining Group for the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 7*	*Note 6*	*Note 4*	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation	(456,952)	8,214	157,392		(291,346)
Depreciation of property, plant and equipment	34,499	(5,049)			29,450
Depreciation of right-of-use assets	12,889	(341)			12,548
Amortisation of intangible assets	63,127	(37,002)			26,125
Interest expenses	14,873	(1,221)		3,507	17,159
Interest income	(606)	1			(605)
Interest income from loans to associates	(72)				(72)
Impairment loss	175,474				175,474
Loss on disposal of property, plant and equipment	72				72
Gain on disposal of right-of-use assets	(104)				(104)
Loss on disposal of subsidiaries	56,025		(157,392)		(101,367)
Loss on disposal of associate	12,213				12,213
Loss on disposal of financial assets at fair value through profit or loss	672				672
Fair value change of fair value through profit or loss	28,668				28,668
Share of loss of associates	2,273				2,273
Share based compensation	3,195				3,195
Operating loss before Working Capital changes	(53,754)				(85,645)
Decrease in inventories	229				229
Decrease in trade and other receivables	20,160	4,056	56,678		80,894
Increase in trade and other payables	203,763	(16,251)	(13,202)		174,310
Increase in deferred revenue (other current liabilities)	1,840	(3,829)			(1,989)
Cash generated from operations	172,238				167,799
Interest received	606	(1)			605
Income taxes paid	(958)				(958)
Net cash generated from operating activities	171,886				167,446

	The Group for the year ended 31 December 2019	Pro forma adjustments			The Remaining Group for the year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 7*	*Note 6*	*Note 4*	
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease/(Increase) of restricted bank balances	(25,463)				(25,463)
Purchase of property, plant and equipment	(23,737)	17,317			(6,420)
Purchase of intangible assets	(119,152)	33,194			(85,958)
Addition of Research and Development	(1,205)				(1,205)
Purchase of financial assets at fair value through profit or loss	(8,501)				(8,501)
Proceeds from sale of subsidiaries	5		483,176		483,181
Proceeds from sale of financial assets at fair value through profit or loss	17,363				17,363
Addition in loans to a third party	(9,150)				(9,150)
Repayment in loans to a third party	28,862				28,862
Disposal of subsidiary, net of cash disposed — Nanjing Haoyun Meicheng Electronics Technology Co., Ltd.	(157)				(157)
Net cash (used in)/generated from investing activities	(141,135)				392,552
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(7,404)	1,221			(6,183)
Issuance of convertible note	26,479				26,479
Repayment of convertible note				(94,078)	(94,078)
Advance from group companies		(2,079)			(2,079)
Payment of lease liabilities	(9,416)	275			(9,141)
Purchase of shares for employee ownership scheme	(2,300)				(2,300)
Repayment of amount due to an associate	(840)				(840)
Net cash generated from/(used in) financing activities	6,519				(88,142)
Increase in cash and cash equivalents	37,270				471,856
Cash and cash equivalents brought forward	155,811	(34,053)	32,954		154,712
Effect of foreign exchange rate changes	(7,233)	(471)			(7,704)
Cash and cash equivalents carried forward	185,848				618,864

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

(1) The figures are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Company for the six months ended 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.

(2) The adjustment represents the exclusion of the assets and liabilities of the Target Group. The assets and liabilities of the Target Group as at 30 September 2020, have been extracted from the unaudited statement of financial position of the Target Group as set out on page II-3 of this circular, as if the Disposal had been completed on 30 June 2020. The percentage of the non-controlling interest of the Group is 57.71% as at 30 June 2020.

(3) These adjustments represent (I) the estimated gross proceeds from the Disposal of RMB539.9 million (or US$76.26 million) including RMB483.2 million (or US$68.25 million) of immediate cash and RMB56.7 million (or US$8.01 million) of cash to be received over time pursuant to a three-year guaranteed revenue sharing agreement and the receivable is discounted by a discount rate of 12% and presented as "Non-current receivables" in the unaudited pro forma consolidated statement of financial position of the Remaining Group, (II) the cash adjustment amounted RMB33.0 million (or US$4.7 million) on consideration due to the cash remaining in the Target Group, which was extracted from the unaudited statement of financial position of the Target Group as set out on page II-3 of this circular and the estimated gain on the Disposal as if the Disposal had been completed. The exchange rate of USD to RMB is 7.079. Calculation of pro forma gain on the Disposal as of 30 June 2020 was as follows:

	Note	*RMB'000*
Cash consideration		483,176
Consideration receivable	*(a)*	56,678
		539,854
Cash adjustment	*(b)*	32,954
Less: Net assets of the Target Group as at 30 September 2020		(262,723)
Less: Release of foreign currency translation reserve of the Target Group as at 30 September 2020	*(c)*	(24,837)
Less: Estimated transaction costs directly attributable to the Disposal	*(d)*	(13,202)
Adjustment on goodwill, intangible assets and deferred taxation	*(e)*	(139,168)
Current account waived	*(f)*	48,563
Estimated gain on disposal as if the Disposal had been completed on 30 June 2020		181,441
Estimated gain on disposal as if the Disposal attributable to the Company		76,731
Estimated gain on disposal as if the Disposal attributable to non-controlling interest of the Group		104,710
Estimated gain on disposal as if the Disposal had been completed on 30 June 2020		181,441

Note:

(a) The discount rate of consideration receivable is 12%, which was made reference to the discount rate of the convertible notes issued by a subsidiary of the remaining group.

(b) Cash adjustment represents the bank balances and cash of the Target Group that are excluded from the Disposal.

(c) The amount represents foreign currency translation reserve of the Target Group to be released to profit or loss as if the Disposal had taken place at 30 September 2020.

(d) The adjustments represent various transaction related costs including professional fees and others incurred for this transaction.

(e) The adjustment reflects (i) the exclusion of the fair value adjustments of intangible assets of RMB108.70 million as at 30 September 2020 arising from the acquisition of equity interests in the Target Group by the Group in 2016 ("Acquisitions"). The adjustment is derived from the difference between the fair value and the carrying amount of intangible assets as at the date of Acquisitions, (ii) the accumulated amortisation recognised as at 30 September 2020 on intangible assets after the Acquisitions of RMB72.0 million, (iii) the corresponding deferred tax impact of RMB1.75 million resulting from (i) and (ii) as at 30 September 2020, and (iv) goodwill adjustment RMB102.75million derived from the difference between the consideration of the Acquisitions and the fair value of net identifiable assets as at the date of Acquisitions.

(f) The adjustment represents the waiver of intercompanies current accounts between the Target Group and the Remaining Group, as if the waiver had been taken place on 30 June 2020.

Actual gain/loss on disposal arising from the Disposal depends on actual amount of net assets of the Target Group of and actual amount of foreign current translation reserve of Target Group to be released to profit or loss on the completion date. Therefore, the actual gain/loss on the Disposal should be different from the amount calculated in the above table.

(4) The adjustment represents the contractual paydown of convertible notes payable, bridges notes and related accrued interest upon the sale of the Target Group, and recording of extinguishment loss resulting from unamortized debt discount and pre-payment fees, as if the paydown had been taken place on 30 June 2020.

(5) The adjustments represent the exclusion of the operating results of the Target Group for the year ended 31 December 2019, which were extracted from the unaudited statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2019 as set out on page II-2 of this circular, as if the Disposal had been completed on 1 January 2019. The percentage of the non-controlling interest of the Group is 48.3% as at 31 December 2019.

(6) Calculation of pro forma gain on the Disposal as of 1 January 2019 was as follows:

	Note	*RMB'000*
Cash consideration		483,176
Consideration receivable	*(a)*	56,678
		539,854
Cash adjustment	*(b)*	32,954
Less: Net assets of the Target Group as at 31 December 2019		(264,783)
Less: Release of foreign currency translation reserve of the Target Group as at 31 December 2020	*(c)*	(18,499)
Less: Estimated transaction costs directly attributable to the Disposal	*(d)*	(13,202)
Adjustment on goodwill, intangible assets and deferred taxation	*(e)*	(142,483)
Current account waived	*(f)*	23,551
Estimated gain on disposal as if the Disposal had been completed on 1 January 2019		157,392
Estimated gain on disposal as if the Disposal attributable to the Company		81,372
Estimated gain on disposal as if the Disposal attributable to non-controlling interest of the Group		76,020
Estimated gain on disposal as if the Disposal had been completed on 1 January 2019		157,392

Note:

(a) The discount rate of consideration receivable is 12%, which was made reference to the discount rate of the convertible notes issued by a subsidiary of the remaining group.

(b) Cash adjustment represents the bank balances and cash of the Target Group that are excluded from the Disposal.

(c) The amount represents foreign currency translation reserve of the Target Group to be released to profit or loss as if the Disposal had taken place at 31 December 2019.

(d) The adjustments represent various transaction related costs including professional fees and others incurred for this transaction.

(e) The adjustment reflects (i) the exclusion of the fair value adjustments of intangible assets of RMB111.30 million as at 31 December 2019 arising from the acquisition of equity interests in the Target Group by the Group in 2016 ("Acquisitions"). The adjustment is derived from the difference between the fair value and the carrying amount of intangible assets as at the date of Acquisitions, (ii) the accumulated amortisation recognised as at 31 December 2019 on intangible assets after the Acquisitions of RMB67.80 million, (iii) the corresponding deferred tax impact of RMB2.32 million resulting from (i) and (ii) as at 31 December 2019, and (iv) goodwill adjustment RMB101.25 million derived from the difference between the consideration of the Acquisitions and the fair value of net identifiable assets as at the date of Acquisitions.

(f) The adjustment represents the waiver of intercompanies current accounts between the Target Group and the Remaining Group, as if the waiver had been taken place on 31 December 2019.

Actual gain/loss on disposal arising from the Disposal depends on actual amount of net assets of the Target Group of and actual amount of foreign current translation reserve of Target Group to be released to profit or loss on the completion date. Therefore, the actual gain/loss on the Disposal should be different from the amount calculated in the above table.

(7) The adjustments represent the exclusion of the cash flows of the Target Group for the year ended 31 December 2019, which were extracted from the unaudited statement of cash flows of the Target Group as set out on page II-6 to II-7 of this circular, as if the Disposal had been completed on 1 January 2019.

(8) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group, except otherwise indicated.

F. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.

To the Directors of Ourgame International Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ourgame International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages III-2 to III-6 of Appendix III to the circular issued by the Company dated 10 March 2021 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on III-2 to III-6 of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Disposal (as defined in the Circular) on the Group's consolidated financial position as at 30 June 2020 as if the Disposal had been taken place at 30 June 2020, and on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2019 as if the Disposal had been taken place at 1 January 2019. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2020, in which no audit or review report has been published, and the Group's consolidated financial performance and consolidated cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2019, on which an auditors' report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 and 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

10 March 2021

Tong Kin Keung
Practising Certificate No.: P07190

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Upon Closing, the Company will cease to hold any interest in the Target Group, the Target Group will cease to be a subsidiary of AESE, and the Company and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of AESE and the Group.

The following discussion should be read in conjunction with the financial information of the Group and the historical financial information and operating data included in this circular. The financial statements of the Group have been prepared in accordance with International Financial Reporting Standard issued by the International Accounting Standards Board. Certain numerical figures included in this management discussion and analysis of the Company have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

Following the Disposal, the Remaining Group shall comprise the Company and its subsidiaries but exclude the Target Group. The management discussion and analysis of the Remaining Group for the three years ended 31 December 2019 and the six months ended 30 June 2020 are set out as follows:

FOR THE SIX MONTHS ENDED 30 JUNE 2020

A. Business Overview

The Remaining Group is mainly related to the segments of e-sports businesses carried out by AESE and its subsidiaries (the "**AESE Group**") and online card and board games business carried out by the Group, excluding the businesses carried out by the Target Group, as disclosed in the 2020 interim report of the Company.

In the first half of 2020, the Remaining Group continued to see the stabilization and rebuilding of the Company's China business and continued growth in its overseas business. Given the COVID-19 pandemic, continued challenging regulatory environment and market conditions within China, the Remaining Group continued to optimize its cost structure across its China online games operations, selectively shifting away from less profitable games and distribution channels, and re-focused on developing games that are compliant with regulations and have high potential for positive financial returns. The Company has leveraged its brand and loyal user base to launch a number of "user recall" marketing efforts to reactivate dormant users, together with redevelopment of core classic games with new features, which have shown good results. The Remaining Group also introduced the "free-to-user, paid-by-advertiser" business model into the Company's new mobile games that brought in a new stream of revenue and broadened our user base. Besides the traditional app based games, the Company has expanded into HTML5 and "small program" type of games which enabled us to reach new distribution channels and partners. While there was still significant room for improvement and advancement, through the efforts in 2020, the Remaining Group had achieved a rebase-lining of the China online games businesses and laid the foundation to explore new avenue for growth going forward.

In the first half of 2020, AESE organized over 70 events, including proprietary online events and third-party productions, across its North American and European business units. AESE pivoted its in-arena offerings to online events and production services in mid-March as a response to the COVID-19 pandemic. This strategy grew the user base at a time when the flagship HyperX Esports Arena Las Vegas at the Luxor Hotel & Casino was temporarily closed. Regulations in the State of Nevada of the United States allowed the re-opening of casinos in June 2020 and in the same month, the Luxor Hotel and HyperX Esports Arena opened its doors to customers, with restrictions. AESE also launched multiple programming offerings, both proprietary and with partners, in the first half of 2020, including the production of HyperX Game Spotlight, a deep dive episodic program focused on game developers telling the stories behind the inspiration and evolution of their games, and Esportstudio, which brings traditional sports athletes together to compete in the video game version of their sport. In addition to live streaming on Twitch, Esportstudio also aired live on Germany's platform. AESE also launched the 12th edition of its Legend Series event IP featuring VALORANT, the most popular new game from Riot Games.

Going forward, the Company will continue to grow its China domestic businesses through its China subsidiaries while further expanding the growth overseas through AESE. The Company will also actively look for growth opportunities by acquisition and asset injections through both AESE and the Company's other subsidiaries. The Company and AESE is also exploring strategic options for the e-sports business under AESE, including the disposal of e-sports business if and when there is a suitable opportunity arises that allows the e-sports business to be sold at a reasonable or even better price.

B. Financial overview

Revenue

For the six months ended 30 June 2020, revenue of the Remaining Group amounted to approximately RMB60.9 million, representing a decrease of approximately RMB19.4 million or 24.1% as compared with approximately RMB80.3 million for the corresponding period of 2019. The increase was mainly due to decrease in in-person revenues of AESE, which consist of ticket, merchandising, food and beverage and sponsorship revenue. In-person revenues were decreased as a result of government mandated closures of our facilities in the United States, postponed events, and social distancing measures resulting from the COVID-19 pandemic. In addition, revenue was decreased due to rescission of a share transfer agreement concerning the equity interest of Nanjing Haoyun Meicheng Electronics Technology Co., Ltd.* (南京好運美成電子科技有限公司) ("**Nanjing Haoyun**") in December 2019 (the "**Nanjing Haoyun Rescission**").

Cost of Revenue and Gross Profit Margin

For the six months ended 30 June 2020, cost of revenue of the Remaining Group amounted to approximately RMB51.7 million, representing an increase of approximately RMB5.1 million or 10.9% as compared with approximately RMB46.6 million for the corresponding period of 2019. The gross profit margin decreased from approximately 41.9% for the six months ended 30 June 2019 to approximately 15.1% for the six months ended 30 June 2020. The decrease in gross profit margin was mainly due to the Nanjing Haoyun Rescission.

Other Income

For the six months ended 30 June 2020, other income of the Remaining Group amounted to approximately RMB1.6 million, representing a decrease of approximately RMB0.5 million or 26.6% as compared with approximately RMB2.1 million for the corresponding period of 2019. This was primarily due to the Nanjing Haoyun Rescission.

Selling and Marketing Expenses

For the six months ended 30 June 2020, selling and marketing expenses of the Remaining Group amounted to approximately RMB2.2 million, representing a decrease of approximately RMB17.0 million or 88.3% as compared with approximately RMB19.2 million for the corresponding period of 2019. The decrease was mainly due to decrease in number of events held in the United States during 2020 as a result of the COVID-19 pandemic.

Administrative Expenses

For the six months ended 30 June 2020, administrative expenses of the Remaining Group amounted to approximately RMB97.8 million, representing an increase of approximately RMB26.6 million or 37.3% as compared with approximately RMB71.2 million for the corresponding period of 2019. The increase was mainly due to the loss arising from the return of cash held in escrow account to Simon Equity Development, LLC ("**Simon**") as per the investment agreements signed with Simon, but did not require Simon to return AESE common stock that it received in exchange for its investment. In addition, the increase in administrative expenses was also due to financing costs arising from issuance of new convertible notes in 2020.

Research and Development Expenses

For the six months ended 30 June 2020, research and development expenses of the Remaining Group amounted to approximately RMB0.1 million, representing a decrease of approximately RMB2.2 million or 96.2% as compared with approximately RMB2.3 million for the corresponding period of 2019. The decrease was due to decrease in number of events during 2020 as a result of the COVID-19 pandemic.

Finance Costs

For the six months ended 30 June 2020, finance costs of the Remaining Group amounted to approximately RMB11.8 million, representing an increase of approximately RMB7.5 million or 173.1% as compared with approximately RMB4.3 million for the corresponding period of 2019. The increase was mainly due to interest charges arise from the convertible notes issued and finance charges on lease liabilities.

Impairment of Assets

For the six months ended 30 June 2020, impairment of assets amounted to approximately RMB1.3 million, as compared with approximately RMB12.9 million for the corresponding period of 2019. In light of changes in market environment during the corresponding period of 2019, the Remaining Group had written down substantially all of the carrying values of the assets relating to the PRC card and board games businesses in 2019.

Loss on Redemption/Conversion of Convertible Notes

For the six months ended 30 June 2020, loss on redemption/conversion of convertible notes amounted to approximately RMB36.9 million (2019: nil). The increase was mainly due to the value of common stock issued upon conversion in excess of the common stock issuable under the original terms as a result from the amendments of conversion prices of convertible notes of AESE signed in 2020.

Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company amounted to approximately RMB67.2 million for the six months ended 30 June 2020, as compared with loss attributable to equity holders of the Company of approximately RMB78.1 million for the six months ended 30 June 2019. The decrease was mainly due to the unexpected financial performance of AESE resulting from the COVID-19 pandemic, offsetting by the effect of loss decrease in the PRC, which was due to cost control in light of changes in the market environment.

Income Tax (Expense)/Credit

For the six months ended 30 June 2020, income tax expenses of the Remaining Group amounted to approximately RMB0.1 million, as compared with income tax credit of approximately RMB6.3 million for the corresponding period of 2019.

Liquidity and Source of Funding and Borrowing

As at 30 June 2020, the Remaining Group's total bank balances and cash increased by approximately 4.6% from approximately RMB149.8 million as at 31 December 2019 to approximately RMB138.2 million as at 30 June 2020. The increase was primarily a result of the cash proceeds from financing raised in AESE during the six months ended 30 June 2020.

As at 30 June 2020, the current assets of the Remaining Group amounted to approximately RMB205.8 million, of which approximately RMB138.2 million were bank balances and cash and approximately RMB67.6 million were other current assets. Current liabilities of the Remaining Group amounted to approximately RMB198.2 million, of which approximately RMB60.9 million were trade and other payables and deferred revenue, approximately RMB137.3 million were other current liabilities. As at 30 June 2020, the Remaining Group's borrowings amounted to approximately RMB6.4 million. As at 30 June 2020, the current ratio (the current assets to current liabilities ratio) of the Remaining Group was 1.0 as compared to 1.0 as at 31 December 2019. Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Remaining Group's total equity. The Remaining Group's gearing ratio as at 30 June 2020 was nil (2019: nil).

Pledge of Assets

As at 30 June 2020, the convertible notes issued in 2020 are secured by all assets of AESE. Pursuant to the supplemental agreement to the convertible note purchase agreement for the subscription of the convertible notes issued in 2019, the convertible notes issued in 2019 were secured by all assets of AESE.

Contingent Liabilities

As at 30 June 2020, the Remaining Group did not have any material contingent liabilities.

Capital management

The objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Remaining Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Remaining Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase the Company's shares or sell assets to reduce debts.

Capital Commitments

As at 30 June 2020, the Remaining Group's capital commitments in respect of expenditure in respect of strategic investment contracted for but not provided amounted to approximately RMB1.0 million.

Foreign Exchange Risk

During the six months ended 30 June 2020, the Remaining Group mainly operated in the PRC and in the United States, and the majority of its transactions were settled in RMB or USD, being the functional currencies of the Remaining Group entities to which the transactions relate. As at 30 June 2020, the Remaining Group did not have significant foreign currency exposure from its operations.

C. Other information

Material investments

The Remaining Group did not have any material investment for the six months ended 30 June 2020.

Material acquisition and disposals

For the six months ended 30 June 2020, the Remaining Group did not have any material acquisition and disposal.

Future Plans for Material Investment or Capital Assets

Save as disclosed, the Remaining Group does not have other plans for material investments and capital assets.

Remuneration and training of Employees

As at 30 June 2020, the Remaining Group had 74 employees, 26 of which were responsible for games development and operation or general administration in the PRC (including Hong Kong), and 48 of which are responsible for the operation of AESE. The total remuneration expenses (including share-based compensation expense) for the six months ended 30 June 2020 were approximately RMB28.7 million, representing an increase of 132.4% as compared to the corresponding period of 2019.

Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of the Remaining Group's employees includes share-based compensation expense, salaries and allowances. Periodic training is provided to enhance the technological knowledge and their understanding of the operation of the Remaining Group.

The Remaining Group has adopted several share options schemes and a share award scheme to enable the Board to grant share options and Shares to eligible participants, giving them an opportunity to have a personal stake in the Remaining Group.

FOR THE YEAR ENDED 31 DECEMBER 2019

A. Business Overview

The Remaining Group is mainly related to the segments of the AESE Group and the Lianzhong Group, as disclosed in the 2019 annual report of the Company.

The Remaining Group continued to see the stabilization and rebuilding of the Remaining Group's China business and continued growth in its overseas business. Given the continued challenging regulatory environment and market conditions within China, the Remaining Group continued to optimize its cost structure across its China online card and board games operations, with selective shifting away from less profitable games and distribution channels, and re-focused on developing games that are compliant with regulations and have high potential for positive financial returns. The Remaining Group has leveraged its brand and loyal user base to launch a number of "user recall" marketing efforts to reactivate dormant users, together with redevelopment of core classic games with new features, which have shown good results. The Remaining Group also introduced the "free-to-user, paid-by-advertiser" business model into the the Remaining Group's new mobile games that brought in a new stream of revenue and broadened user base. Besides the traditional app based games, the Remaining Group has expanded into HTML5 and "small program" type of games which enabled the Remaining Group to reach new distribution channels and partners. While there is still significant room for improvement and advancement, through the efforts in 2019, the Remaining Group had achieved a rebase-lining of the China online card and board games businesses and laid the foundation to explore new avenue for growth going forward.

In 2019, the Remaining Group's overseas business in the AESE Group achieved a significant milestone by completing the spin-off listing with Black Ridge Acquisition Corporation ("**BRAC**"), a company listed on the NASDAQ. The transaction was completed on 9 August 2019 (US time), with BRAC was renamed as Allied Esports Entertainment Inc. and commenced trading on the main board of NASDAQ under the new stock symbol AESE starting from 12 August 2019. As a result of the completion of the aforesaid transaction, the Company became the controlling shareholder of AESE with approximately 51.92% of its issued shares and has control of its board of directors as at the date of the spin-off listing, and AESE has become a non wholly-owned subsidiary of the Company. AESE gained three strategic investors in Simon Property and Brookfield Property, which are two of the largest real estate companies in the US with extensive holdings in malls and commercial properties across the US and globally, and TV Azteca, the largest sports TV network in Mexico with extensive media holdings in Mexico and Latin America. These strategic investors are also strategic business partners that have signed cooperative business agreements with AESE to develop the eSports business together. As one of the first eSports companies to be listed globally, the Company's overseas business entered a new page of development. By listing on the NASDAQ, AESE can not only now access the US capital market but also have access to more partners globally to accelerate its growth to become a leading company in the fast growing eSports business. With the financial results of AESE fully consolidated into that of the Company's, as the controlling shareholder of AESE, the Company will continue to enjoy AESE's progress and success.

The AESE Group achieved significant growth in 2019. The Las Vegas flagship arena (the "**Arena**") continued to be an iconic venue for eSports events. In the fourth quarter of 2019 alone, 78 events were held at the Arena, with notable events including the League of Legends All-Star 2019, Capcom North America Regional Finals, Simon Cup Grand Final, SoulCalibur World Invitational, and the Big Buck Hunter World Championship. AES's mobile arena trucks in North America and Europe were deployed at nine events, including Simon Cup Qualifiers, Posty Fest, Las Vegas Bowl, DreamHack Atlanta and DreamHack Winter, Gamevention and EGX London. Our trucks have proven to be a very effective method of bringing the Allied Esports brand into high profile events, which complements our stationary arena. With the strong brand of the AESE Group, it introduced The Allied Esports Property Network in 2018 as the world's first affiliate program for global partners interested in developing eSports venues and participating in Allied Esports' events. In the fourth quarter of 2019, the AESE Group signed an agreement with Wanyoo, the operator of the largest network of eSports centers in China. Under the agreement, Wanyoo will become an official affiliate member of The Allied Esports Property Network and serve as a valuable distribution channel to enable Allied Esports to sell future products and services into the Chinese market. This includes Wanyoo's 16 million-plus global members in more than 800 locations across China and around the world, including facilities in the United States, Australia, Singapore, the United Kingdom and Canada. Fortress Esports, the first affiliate program partner of The Allied Esports Property Network covering Australia and New Zealand, opened its first venue on 13 March 2020 at Australia's largest shopping mall, Emporium, in Melbourne, Australia. At nearly 30,000 square feet, the new facility is expected to be the largest video gaming and eSports entertainment venue in the Southern Hemisphere. In collaboration with strategic partner Simon Property, the AESE Group successfully completed its pilot season of the Simon Cup, a US nationwide amateur eSports tournament, licensed by Epic Games to include Fortnite, spanned online and on mall qualifying events and was marketed at 13 Simon mall destinations. The AESE Group has signed an agreement with Simon Property to open mall arenas in Simon Property's network of malls with the first arena targeted to be opened in 2020 in Atlanta, Georgia of the US.

B. Financial overview

Revenue

In 2019, revenue of the Remaining Group amounted to approximately RMB143.4 million, representing a decrease of approximately RMB137.7 million or 49.1% as compared with approximately RMB281.1 million for the year ended 31 December 2018. The decrease was mainly because of unexpected changes in our China online card and board games market environment and the Nanjing Haoyun Rescission, offset by the increase in revenue of the Remaining Group's overseas business in AESE Group, primarily related to the increase in in-person revenue generated from eSports Arena Las Vegas.

Cost of Revenue and Gross Profit Margin

In 2019, cost of revenue of the Remaining Group amounted to approximately RMB102.7 million, representing a decrease of approximately RMB99.0 million or 49.1% as compared with approximately RMB201.7 million for the year ended 31 December 2018. The resulting gross profit margin increased from approximately 28.3% for the year ended 31 December 2018 to approximately 28.4% for the year ended 31 December 2019.

Other Income

In 2019, other income of the Remaining Group amounted to approximately RMB3.6 million, representing a decrease of approximately RMB16.6 million or 82.2% as compared with approximately RMB20.2 million in 2018. This was primarily due to the decrease in interest income from loan to third parties.

Selling and Marketing Expenses

In 2019, selling and marketing expenses of the Remaining Group amounted to approximately RMB30.9 million, representing a decrease of approximately RMB43.0 million or 58.2% as compared with approximately RMB73.9 million in 2018. The decrease was mainly due to cost control in light of changes in the market environment during the year ended 31 December 2019.

Administrative Expenses

In 2019, administrative expenses of the Remaining Group amounted to approximately RMB162.4 million, representing a decrease of approximately RMB162.1 million or 50.0% as compared with approximately RMB324.5 million in 2018. The decrease was mainly due to cost control in light of changes in the market environment and as a result of the deconsolidation of eSports Arena, LLC during the year ended 31 December 2019.

Research and Development Expenses

In 2019, research and development expenses of the Remaining Group was approximately RMB0.4 million, representing a decrease of approximately RMB35.9 million or 98.9% as compared with approximately RMB36.3 million in 2018. The decrease was mainly due to higher selectivity and reduction of development efforts on new versions of mobile games and costs incurred in associated research and development activities.

Finance Costs

In 2019, finance costs of the Remaining Group amounted to approximately RMB13.7 million, representing an increase of approximately RMB11.4 million or 495.7% as compared with approximately RMB2.3 million in 2018. The increase was mainly due to interest charges arise from the convertible notes issued and finance charges on lease liabilities.

Impairment of Assets

In 2019, impairment of assets amounted to approximately RMB175.5 million, as compared with approximately RMB358.6 million in 2018. In light of changes in market environment during the year of 2018, the Remaining Group had written down substantially all of the carrying values of the assets relating to the PRC online card and board games businesses in 2018. For trade and other receivables, the Remaining Group had fully impaired the receivables that were considered unrecoverable, while for the rest the Remaining Group had applied various percentages according to the Remaining Group's policy. The Company considered that the receivables not being impaired are recoverable.

Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company amounted to approximately RMB411.3 million for the year ended 31 December 2019, as compared with profit attributable to equity holders of the Company of approximately RMB599.9 million for the year ended 31 December 2018. The decrease was mainly due to cost control during the year and the decrease in assets impairment for the year ended 31 December 2019 compared to the year ended 31 December 2018.

Income Tax (Expense)/Credit

In 2019, income tax credit of the Remaining Group amounted to approximately RMB0.7 million, representing a decrease of approximately RMB14.8 million or 95.5% as compared with approximately RMB15.4 million in 2018.

Liquidity and Source of Funding and Borrowing

As at 31 December 2019, the Remaining Group's total bank balances and cash increased by approximately 16.5% from approximately RMB128.6 million as at 31 December 2018 to approximately RMB149.8 million as at 31 December 2019. The increase was primarily as a result of the proceeds from issuance of convertible notes and repayment from loans to third parties during the year ended 31 December 2019. As at 31 December 2019, the current assets of the Remaining Group amounted to approximately RMB217.4 million, including approximately RMB149.8 million in bank balances and cash, other current assets of approximately RMB67.6 million. Current liabilities of the Remaining Group amounted to approximately RMB216.6 million, of which approximately RMB68.8 million were trade and other payables and deferred revenue, other current liabilities of approximately RMB147.8 million. As at 31 December 2019, the current ratio (the current assets to current liabilities ratio) of the Remaining Group was 1.0 as compared to 1.7 as at 31 December 2018. Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Remaining Group's total equity. The Remaining Group's gearing ratio as at 31 December 2019 was nil (2018: nil).

Pledge of Assets

As at 31 December 2019, none of the Remaining Group's assets were pledged.

Contingent Liabilities

As at 31 December 2019, the Remaining Group did not have any material contingent liabilities.

Capital management

The objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Remaining Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Remaining Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase the Company's shares or sell assets to reduce debts.

Capital Commitments

As at 31 December 2019, the Remaining Group's capital commitments in respect of expenditure in respect of strategic investment contracted for but not provided amounted to approximately RMB24.4 million.

Foreign Exchange Risk

During the year ended 31 December 2019, the Remaining Group mainly operated in China and in the United States of America and the majority of its transactions were settled in RMB or USD, being the functional currencies of the Remaining Group entities to which the transactions relate. As at 31 December 2019, the Remaining Group did not have significant foreign currency exposure from its operations.

C. Other information

Material investments

The Remaining Group did not have any material investment for the year ended 31 December 2019, save as disclosed in the announcement of the Company dated 11 August 2019 in relation to the transaction merger and proposed spinoff completed on 9 August 2019.

Material acquisition and disposals

For the year ended 31 December 2019, the Remaining Group did not have any material acquisition, save as disclosed in the announcement of the Company dated 11 August 2019 in relation to the transaction merger and proposed spinoff completed on 9 August 2019.

For the year ended 31 December 2019, the Remaining Group did not have any material disposal, save as disclosed in the announcement of the Company dated 23 December 2019 in relation to the Nanjing Haoyun Rescission.

Future Plans for Material Investment or Capital Assets

Save as disclosed, the Remaining Group does not have other plans for material investments and capital assets.

Remuneration and training of Employees

As at 31 December 2019, the Remaining Group had 121 employees, 25 of which were responsible for games development and operation or general administration in the PRC (including Hong Kong), and 96 of which are responsible for the operation of AESE. The total remuneration expenses (including share-based compensation expense) for the year ended 31 December 2019 were RMB24.7 million, representing a decrease of 74.4% as compared to the corresponding period of 2018.

Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of the Remaining Group's employees includes share-based compensation expense, salaries and allowances. Periodic training is provided to enhance the technological knowledge and their understanding of the operation of the Remaining Group.

The Remaining Group has adopted several share options schemes and a share award scheme to enable the Board to grant share options and Shares to eligible participants, giving them an opportunity to have a personal stake in the Remaining Group.

FOR THE YEAR ENDED 31 DECEMBER 2018

A. Business overview

The Remaining Group is mainly related to the segments of the AESE Group and the Lianzhong Group, as disclosed in the 2018 annual report of the Company.

The year 2018 has been one of the most challenging periods for the Lianzhong Group. From the beginning of the year 2018, the Lianzhong Group encountered unexpected and significant industry-wide regulatory headwinds in our China domestic card and board games business, which has been a key component of the Lianzhong Group's business. The suspension of new game permit issuance starting from the end of March 2018 has had a major impact as new games could not be launched and/or start receiving user payments, contributing to a significant market downturn in the industry as a whole. Regulations and regulatory practices on the approval, publishing and operation of card and board games in general and Texas Hold'em games in particular also became significantly more restrictive, thus making the operating environment challenging and with more risks and uncertainties. The PC and mobile card and board games businesses of the Lianzhong Group were both adversely impacted by the uncertain government policies and administrative measures, in particular the Texas Hold'em and PC games in the PRC being affected the most. The regulatory changes and uncertainties were most significant in the first half of the year. Although there was better regulatory clarity as the second half of the year progressed, such regulatory changes and uncertainties caused a substantial downturn in revenue and profitability of the Lianzhong Group for the year as a whole.

The Lianzhong Group has taken proactive and drastic actions to address these challenges and negate the impact of the market downturn experienced during the year. Given the challenging environment for the China card and board games business, the Lianzhong Group has resolutely but rationally optimized the number of staff across its mobile game and PC game businesses. Redundancy actions were taken, resulting in one-off restructuring costs but significant savings on ongoing operating costs. Cost saving actions were also taken across the board on decreasing leased office space, data center leases and other cost items that resulted in further reduction of expenses and optimization of the cost structure. The Lianzhong Group has restructured its PC games businesses that may be impacted by the uncertain government policies/administrative measures and outsourced the operation of those businesses to an independent third party, so that the Lianzhong Group could save the corresponding and significant operating costs and also achieve better operational risk management. The Lianzhong Group has also worked to shift the focus of its domestic PRC game operations onto games that are not impacted by the policy uncertainty and also launched major user base activation campaigns through email outreach and other means to reactivate long term dormant users. The actions taken have been effective and the Lianzhong Group's operational results have stabilized and seen improvement in the second half of the year, and in particular in the fourth quarter.

While the Lianzhong Group were addressing the challenges in our China domestic card and board games business, the Remaining Group continued to make progress on the AESE Group. In the first half of 2018, our eSports subsidiary, Allied eSports, officially opened its global flagship arena at the MGM Luxor Casino and Hotel in March in Las Vegas, U.S.A. The first major eSports event at the Las Vegas Arena held with the leading eSports streamer in the US resulted in record breaking viewership of 680 thousand peak concurrent viewers and more than 2.5 million unique viewers. It demonstrated Allied eSports' integrated and broad capabilities on property venue, tournament creation and management, and content production. The Allied eSports Las Vegas Arena has become an instant landmark and one of the most sought after venues for eSports tournament and content generation of the highest quality and caliber.

B. Financial overview

Revenue

In 2018, revenue of the Remaining Group amounted to approximately RMB281.1 million, representing a decrease of approximately RMB244.2 million or 46.5% as compared with approximately RMB525.3 million in 2017. The decrease was mainly due to unexpected changes in our market environment.

Cost of Revenue and Gross Profit Margin

In 2018, cost of revenue of the Remaining Group amounted to approximately RMB201.7 million, representing a decrease of approximately RMB14.9 million or 6.9% as compared with approximately RMB216.6 million in 2017. The resulting gross profit margin decreased from approximately 58.8% for the year ended 31 December 2017 to approximately 28.3% for the year ended 31 December 2018. The decrease was mainly due to unexpected changes in our market environment.

Other Income

In 2018, other income of the Remaining Group amounted to approximately RMB20.2 million, representing a decrease of approximately RMB30.9 million or 60.5% as compared with approximately RMB51.1 million in 2017. This was primarily due to the lack of gain on partial disposal of an associate for the year ended 31 December 2018.

Selling and Marketing Expenses

In 2018, selling and marketing expenses of the Remaining Group amounted to approximately RMB73.9 million, representing a decrease of approximately RMB102.1 million or 58.0% as compared with approximately RMB176.0 million in 2017. The decrease was mainly due to cost control in light of changes in market environment during the year.

Administrative Expenses

In 2018, administrative expenses of the Remaining Group amounted to approximately RMB324.5 million, representing an increase of approximately RMB279.9 million or 627.8% as compared with approximately RMB44.6 million in 2017. The increase was mainly due to our acquisition of eSports Arena LLC and Nanjing Haoyun Meicheng Electronics Co., Ltd becoming our subsidiaries during the year and its expenses being fully consolidated into our Remaining Group.

Research and Development Expenses

In 2018, research and development expenses of the Remaining Group amounted to approximately RMB36.3 million, representing a decrease of approximately RMB2.0 million or 5.2% as compared with approximately RMB38.3 million in 2017. The decrease was mainly due to the reduction of preparation for new versions of mobile games and costs incurred in associated research and development activities.

Finance Costs

In 2018, finance costs of the Remaining Group amounted to approximately RMB2.3 million, representing a decrease of approximately RMB0.5 million or 18.2% as compared with approximately RMB2.8 million in 2017.

Impairment of Assets

In 2018, in light of changes in market environment during the year, the Remaining Group wrote-down substantially on the carrying values of the assets relating to the PRC card and board games businesses. The impairment of assets amounted to approximately RMB358.6 million. The impaired assets included the China domestic card and board games related intangible assets (which mainly related to game intellectual properties, trademark and licenses, development costs and customer relationships), goodwill, interests in associates and trade and other receivables. For trade and other receivables, the Remaining Group had fully impaired the receivables that were considered unrecoverable, while for the rest the Remaining Group had applied various percentages according to the Remaining Group's policy. The Company considered that the receivables not being impaired are recoverable.

Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company amounted to approximately RMB599.9 million for the year ended 31 December 2018, as compared with profit attributable to equity holders of the Company of approximately RMB78.7 million for the year ended 31 December 2017. The decrease was mainly due to unexpected changes in our market environment.

Income Tax (Expense)/Credit

In 2018, income tax credit of the Remaining Group from continuing operations amounted to approximately RMB15.4 million, as compared to income tax expense of approximately RMB6.4 million in 2017. The income tax credit mainly due to deferred tax credited to income statement along with intangible assets recognised on Nanjing Haoyun Meicheng Electronics Co., Ltd.

Liquidity and Source of Funding and Borrowing

In 2018, the Remaining Group's total bank balances and cash decreased by approximately 32.0% from approximately RMB189.2 million as at 31 December 2017 to approximately RMB128.6 million as at 31 December 2018. The decrease was primarily a result of the cash payments for our acquisition of property, plant and equipment and intangible assets and payments for our acquisition of subsidiaries, offset by funds from issue of new shares during the year.

As at 31 December 2018, the current assets of the Remaining Group amounted to approximately RMB402.1 million, including bank balances and cash of approximately RMB128.6 million, other current assets of approximately RMB273.5 million. Current liabilities of the Remaining Group amounted to approximately RMB232.6 million, of which trade and other payables and deferred revenue of approximately RMB82.6 million. As at 31 December 2018, the current ratio (the current assets to current liabilities ratio) of the Remaining Group was 1.7 as compared to 6.4 as at 31 December 2017. Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Remaining Group's total equity. The Remaining Group's gearing ratio was nil (2017: nil).

Pledge of Assets

As at 31 December 2018, none of the Remaining Group's assets were pledged.

Contingent Liabilities

As at 31 December 2018, the Remaining Group did not have any material contingent liabilities.

Capital management

The objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Remaining Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Remaining Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase the Company's shares or sell assets to reduce debts.

Capital Commitments

As at 31 December 2018, the Remaining Group's capital commitments in respect of i) investments in subsidiaries; ii) investments in associates; and iii) investment in financial assets at fair value through profit or loss/available-for-sale financial assets contracted for but not provided amounted to approximately RMB5.4 million.

Foreign Exchange Risk

During the year ended 31 December 2018, the Remaining Group mainly operated in China and in the United States of America and the majority of its transactions were settled in RMB or USD, being the functional currencies of the Remaining Group entities to which the transactions relate. As at 31 December 2018, the Remaining Group did not have significant foreign currency exposure from its operations.

C. Other information

Material investments

The Remaining Group did not have any material investment for the year ended 31 December 2018, save as disclosed in the announcement of the Company dated 24 December 2018 in relation to the potential merger with BRAC.

Material acquisition and disposals

In 2018, the Remaining Group acquired 100% interests in Nanjing Haoyun Meicheng Electronics Co., Ltd. at a total consideration of RMB220,000,000, among which RMB136,000,000 shall be settled in cash and RMB84,000,000 shall be settled in issuing consideration shares. The Remaining Group also acquired further shareholding in the associate, Esports Arena at a cash consideration of US$1,484,295 and a commitment of USD40 million for the growth and development plan of Esports Arena by 31 January 2020. The shareholding increased from 18% to 82.44% upon completion of this acquisition. Any shortfall in the US$40 million commitment amount by 31 January 2020 shall trigger a decrease in the Remaining Group's shareholding pro rata to the shortfall. In August 2018, it was subsequently disposed 57.44% shareholding and hence no commitment existed as at year end.

In 2018, the Company entered into the reorganisation agreement (the "Reorganisation Agreement") with Beijing Lianzhong Co., Ltd. ("Beijing Lianzhong"), Beijing Lianzhong Garden Network Technology Co., Ltd.* (北京聯眾家園網絡科技有限責任公司) (the "WFOE"), Fei La Er Fashion (Beijing) Technology Co., Ltd.* (費拉爾時尚(北京)科技有限公司) (the "**New PRC Holdco**") and the shareholders of Beijing Lianzhong ("**Beijing Lianzhong Shareholders**"), pursuant to which Beijing Lianzhong will retain the Ourgame Hall, Poker World and relevant board and card game businesses (the "**Divested Businesses**"), while the remaining businesses and assets, including but not limited to certain subsidiaries and all intellectual property rights ("**IPRs**"), will be transferred to the New PRC Holdco, a wholly-owned subsidiary of Beijing Lianzhong (the "**Reorganisation**"). The WFOE will then (i) enter into the new contractual arrangements with the New PRC Holdco and Beijing Lianzhong (as the registered shareholder of the New PRC Holdco) pursuant to which the Company will establish and retain control over, and enjoy the financial benefits of, the business and assets held by the New PRC Holdco, and (ii) terminate the existing contractual arrangements with Beijing Lianzhong and the Beijing Lianzhong Shareholders, which will effectively result in the disposal of Beijing Lianzhong (including relevant subsidiaries and entities) and the Divested Businesses (other than the equity interest in the New PRC Holdco controlled through the new contractual arrangements) (the "**Proposed Disposal**").

In addition, pursuant to the Reorganisation Agreement, the New PRC Holdco will grant certain licenses to Beijing Lianzhong to use any IPRs relating to the Divested Businesses within China, starting from the date of completion of the transfer of all IPRs, certain subsidiaries and other assets of Beijing Lianzhong to the New PRC Holdco by means of capital increase or other method, for a license fee.

On 15 August 2018, Beijing Lianzhong and Beijing Maipu Taiqi Technology Co., Ltd.* (北京邁普太奇科技有限公司) ("**Beijing MPTQ**"), an independent third party, entered into the exclusive operation agreement (the "**Exclusive Operation Agreement**"), pursuant to which Beijing Lianzhong will entrust, exclusively, Beijing MPTQ with all of Beijing Lianzhong's rights relating to the operation of the Divested Businesses between the date of the Exclusive Operation Agreement and the completion date of the Reorganisation Agreement.

Given that the objectives of the Proposed Disposal of the Divested Businesses have already been substantively met by the Exclusive Operation Agreement, and in order not to incur any further costs, expenses and management time on the Reorganisation and Proposed Disposal, the Remaining Group has determined to postpone the Reorganisation or the Proposed Disposal. Further details of the Reorganisation or the Proposed Disposal are set out in the announcements of the Company dated 15 August 2018 and 31 October 2018.

For the year ended 31 December 2018, the Remaining Group did not have any material acquisition and disposal, save as disclosed.

Future Plans for Material Investment or Capital Assets

Save as disclosed, the Remaining Group does not have other plans for material investments and capital assets.

Remuneration and training of Employees

As at 31 December 2018, the Remaining Group had 213 employees, 125 of which were responsible for games development and operation or general administration in the PRC (including Hong Kong), and 88 of which are responsible for the operation of AESE. The total remuneration expenses (including share-based compensation expense) for the year ended 31 December 2018 were approximately RMB96.3 million, representing an increase of approximately 27.2% as compared to the corresponding period of 2017.

Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of the Remaining Group's employees includes share-based compensation expense, salaries and allowances. Periodic training is provided to enhance the technological knowledge and their understanding of the operation of the Remaining Group workforce.

The Remaining Group has adopted several share options schemes and a share award scheme to enable the Board to grant share options and Shares to eligible participants, giving them an opportunity to have a personal stake in the Remaining Group.

FOR THE YEAR ENDED 31 DECEMBER 2017

A. Business overview

The Remaining Group is mainly related to the segments of the AESE Group and the Lianzhong Group, as disclosed in the 2017 annual report of the Company.

The Remaining Group encountered intensified competition and challenges in its China domestic card and board games business during the year 2017, both from intense competition from new apps that provide online game room cards function, as well as adverse payment policy changes in the Remaining Group's main mobile carrier payment partners. The negative impact on both its PC and mobile China domestic card and board game businesses, particularly in the beginning of the year, has consequently caused a fairly substantial downturn on revenue and profitability of the Remaining Group.

The Remaining Group addressed the challenges head-on and took the challenges as an opportunity to revamp and transform our China domestic card and board games businesses. For our mobile games payment channels, the Remaining Group has made significant efforts to completely revamp most of our mobile products to move from mobile carrier payments to 3rd party payment channels such as WeChat and Alipay by the end of 2017, which made our mobile payment solutions much more stable and cost effective. For both our PC and mobile China domestic card and board game products, the Remaining Group introduced a number of new games features and have significantly expanded our online/offline tournaments offerings to attract and retain users to our platform. We have also been actively streamlining and optimizing our cost structure to drive efficiency and savings. These efforts take time and resources but we believe these measures are working and have started to reflect in our quarter to quarter business results over the year.

2017 has been a year of rapid progress for our eSports subsidiary, Tianjin Allied eSports Technology Internet Co., Ltd. ("**AES**"), both domestically and globally. 2017 witnessed the opening of the Shenzhen eSports Arena which is AES's flagship arena in Southern China. Globally, AES entered into an agreement with MGM Group to open its global flagship arena at the MGM Luxor Casino and Hotel which is scheduled to open in the first quarter of 2018 with MGM as its partner to provide substantial marketing and other supports. With the introduction of this flagship arena, together with AES's other US and European properties, AES will achieve critical mass in creating its global arena network that will serve as the foundation to accelerate the building of its own unique global tournaments and other critical IPs and assets. AES also made significant progress in building its own branded IP tournaments as well as establishing further partnerships. AES continued to hold highly successful branded tournaments with record player participation and viewership including its Legend Series — CS:Go tournament in Europe, Super Star Series — Hearthstone in Europe, Overwatch Open Division tournaments in China, Fight Series in the US and other tournaments. AES has established itself as a first mover in the global eSports industry and laid the foundation for further growth.

The Remaining Group's mind sports business managed by Tianjin Zhongqi Weiye Sports Development Co. Ltd. ("**Zhongqi**") made significant progress by continuing to expand its approved mind sports titles and achieved profitability in 2017. In the fourth quarter of 2017, People's Daily Online (人民網) affiliated fund became Zhongqi's new strategic investor by taking a 5% stake in Zhongqi which provided opportunities for further growth.

B. Financial overview

Revenue

In 2017, revenue of the Remaining Group amounted to approximately RMB525.3 million, representing a decrease of approximately RMB213.9 million or 28.9% as compared with approximately RMB739.2 million in 2016. The decrease was due to unexpected changes in our market environment.

Cost of Revenue and Gross Profit Margin

In 2017, cost of revenue of the Remaining Group amounted to approximately RMB216.6 million, representing a decrease of approximately RMB110.8 million or 33.8% as compared with approximately RMB327.4 million in 2016. The resulting gross profit ratio increased to 58.8% in 2017 from 55.7% in 2016.

Other Income

In 2017, other income of the Remaining Group amounted to approximately RMB51.1 million, representing a decrease of approximately RMB33.9 million or 39.9% as compared with approximately RMB85.0 million in 2016. This was primarily due to the decrease in gain on disposal of available-for-sale financial assets.

Selling and Marketing Expenses

In 2017, selling and marketing expenses of the Remaining Group amounted to approximately RMB176.0 million, representing an increase of approximately RMB8.9 million or 5.3% from approximately RMB167.1 million in 2016. The increase in selling and marketing expenses for the year was mainly due to additional cost incurred for the increase in marketing activities.

Administrative Expenses

In 2017, administrative expenses of the Remaining Group amounted to approximately RMB44.6 million, representing an increase of approximately RMB16.7 million or 59.7% compared with approximately RMB27.9 million in 2016. The increase in administrative expenses for the year was mainly due to the early investments and expenses incurred in the eSports business.

Research and Development Expenses

In 2017, research and development expenses of the Remaining Group amounted to approximately RMB38.3 million, representing a decrease of approximately RMB1.7 million or 4.1% compared with approximately RMB40.0 million in 2016. The decrease in research and development expenses for the year was mainly due to the increasing stability of our games and less expenses required for research and development.

Finance Costs

The Remaining Group had minimal financing costs of approximately RMB2.8 million in 2017 (2016: nil).

Profit Attributable to Equity Holders of the Company

In 2017, profit attributable to equity holders of the Company amounted to approximately RMB78.7 million, as compared with profit attributable to equity holders of approximately RMB220.8 million in 2016. The decrease was primarily due to a significant decrease in revenue and significant increase in selling and marketing and administrative expenses.

Income Tax (Expense)/Credit

In 2017, income tax expense of the Remaining Group amounted to approximately RMB6.4 million, representing a decrease of approximately RMB0.7 million or 9.9% as compared with approximately RMB7.1 million in 2016.

Liquidity and Source of Funding and Borrowing

The Remaining Group's total bank balances and cash decreased by approximately 29.0% to approximately RMB189.2 million as at 31 December 2017 from approximately RMB266.3 million as at 31 December 2016. The decrease in total bank balances and cash during the year primarily resulted from the cash payments for the acquisition of intangible assets and property, plant and equipment and investment activities during the year.

As at 31 December 2017, the current assets of the Remaining Group amounted to approximately RMB812.4 million, including approximately RMB209.2 million in bank balances and cash and available-for-sale financial assets, and other current assets of approximately RMB603.2 million. The increase in trade and other receivables from approximately RMB304.8 million as at 31 December 2016 to approximately RMB396.9 million as at 31 December 2017 was mainly attributable to a receivable of RMB35,000,000 from the disposal of 5% of the equity interest in Zhongqi to Ningbo Meishan Bonded Port Area People's Network One Cultural Industry Equity Investment Partnership (L.P.), details of which are set out in the announcement of the Company dated 7 December 2017. Current liabilities of the Remaining Group amounted to approximately RMB127.9 million, of which approximately RMB118.2 million were trade and other payables and deferred revenue, and other current liabilities of approximately RMB9.7 million. As at 31 December 2017, the current ratio (the current assets to current liabilities ratio) of the Remaining Group was 6.4 as compared with 5.1 as at 31 December 2016. Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Remaining Group's total equity. The Remaining Group did not have any bank borrowings and other debt financing obligations as at 31 December 2017 and the resulting gearing ratio was nil (2016: nil).

Pledge of Assets

As at 31 December 2017, none of the Remaining Group's assets were pledged.

Contingent Liabilities

As at 31 December 2017, the Remaining Group did not have any material contingent liabilities.

Capital management

The objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Remaining Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Remaining Group may adjust the amount of dividends paid to shareholders, issue new shares, repurchase the Company's shares or sell assets to reduce debts.

Capital Commitments

As at 31 December 2017, the Remaining Group's capital commitments in respect of i) acquisition of intangible assets; ii) investments in associates; and iii) investment in financial assets at fair value through profit or loss/available-for-sale financial assets contracted for but not provided amounted to approximately RMB80.6 million.

Foreign Exchange Risk

During the year ended 31 December 2017, the Remaining Group mainly operated in China and in the United States of America and the majority of its transactions were settled in RMB or USD, being the functional currencies of the Remaining Group entities to which the transactions relate. As at 31 December 2017, the Remaining Group did not have significant foreign currency exposure from its operations.

E. Other information

Material investments

The Remaining Group did not have any material investment for the year ended 31 December 2017.

Material acquisition and disposals

On 11 October 2017, the Remaining Group acquired 100% of the issued share capital of Beijing Zhangzhong Qiji Technology Co., Limited at a total cash consideration of RMB36,000,000. In November 2016, the Remaining Group acquired the entire share capital of Champion Light Holding Limited from an independent third party for an initial consideration of RMB28,468,000 and contingent consideration of RMB19,579,000, of which settlement will be based on the post-acquisition performance of the intangible assets.

In July 2017, the Remaining Group disposed of 12.5% equity interest in its subsidiary, Beijing Chinese Racing Pigeon Sports Culture Development Co., Ltd. to independent third parties, resulting in a loss of control over Beijing Chinese Racing Pigeon. Upon the disposal, the Remaining Group's interest in Beijing Chinese Racing Pigeon was reduced to 42.5%. In April 2016, the Remaining Group disposed of 52.0% interest in its wholly-owned subsidiary, Tianjin Zhongqi Weiye Sports Development Co., Ltd., to certain third parties, resulting in a loss of control over Tianjin Zhongqi.

For the year ended 31 December 2017, the Remaining Group did not have any material acquisition and disposal, save as disclosed.

Future Plans for Material Investment or Capital Assets

Save as disclosed, the Remaining Group does not have other plans for material investments and capital assets.

Remuneration and training of Employees

As at 31 December 2017, the Remaining Group had 434 employees, which were responsible for games development and operation or general administration in the PRC (including Hong Kong). The total remuneration expenses (including share-based compensation expense) for the year ended 31 December 2017 were approximately RMB75.7 million, representing an increase of approximately 10.2% as compared to the corresponding period of 2016.

Remuneration is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The remuneration of the Remaining Group's employees includes share-based compensation expense, salaries and allowances. Periodic training is provided to enhance the technological knowledge and their understanding of the operation of the Remaining Group workforce.

The Remaining Group has adopted several share options schemes and a share award scheme to enable the Board to grant share options and Shares to eligible participants, giving them an opportunity to have a personal stake in the Remaining Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors and Chief Executive in the Company and associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Long position in Shares and underlying Shares

Name	Capacity/ Nature of interest	Number of Shares/ underlying Shares Held	Approximate percentage of the Company's total issued share capital *(Note 2)*
Mr. Li Yangyang (“**Mr. Li**”)	Beneficial owner	8,958,000	0.83%
	Interest of controlled corporation *(Note 1)*	307,888,906	28.57%
Mr. Liu Jiang (“**Mr. Liu**”)	Interest of spouse	2,182,000	0.20%

Notes:

1. Among the 307,888,906 Shares held by Choi Shun Investment Limited, 50,000,000 Shares of which are held by Choi Shun Investment Limited, 221,653,555 Shares of which were purchased from a third party and the transaction has not been completed and 36,235,351 shares of which Choi Shun Investment Limited is only entitled to exercise the voting rights.

2. These percentages are calculated on the basis of 1,077,799,887 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

(b) Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follow:

Long position in Shares and underlying Shares

Name of Shareholder	**Capacity/ Nature of interest**	**Number of Shares/ underlying Shares Held**	**Approximate percentage of the Company's total issued share capital** *(Notes 8 and 9)*
Choi Shun Investment Limited	Beneficial owner *(Note 1)*	307,888,906	28.57%
Irena Group Co., Ltd.	Interest of controlled corporation *(Note 2)*	290,690,848	26.97%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares/ underlying Shares Held	Approximate percentage of the Company's total issued share capital *(Notes 8 and 9)*
Glassy Mind Holdings Limited	Beneficial owner *(Note 2)*	290,690,848	26.97%
Mr. Yang Eric Qing ("**Mr. Yang**")	Beneficial owner *(Note 3)*	36,531,064	3.39%
	Interest in controlled corporation *(Note 5)*	221,653,555	20.57%
Mr. Ng Kwok Leung Frank ("**Mr. Ng**")	Beneficial owner *(Note 4)*	36,531,064	3.39%
	Interest of controlled corporation *(Note 5)*	221,653,555	20.57%
Mr. Zhang Peng ("**Mr. Zhang**")	Beneficial owner	12,884,425	1.20%
	Interest of controlled corporation *(Note 5)*	221,653,555	20.57%
Total Victory Global Limited	Interest of controlled corporation *(Note 5)*	221,653,555	20.57%
Jianying Ourgame High Growth Investment Fund	Beneficial owner *(Note 5)*	221,653,555	20.57%
CMC Ace Holdings Limited	Beneficial owner *(Note 6)*	117,600,000	10.91%
CMC Capital Partners, GP, L.P.	Interest of controlled corporation *(Note 6)*	117,600,000	10.91%
CMC Capital Partners, GP, Ltd.	Interest of controlled corporation *(Note 6)*	117,600,000	10.91%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares/ underlying Shares Held	Approximate percentage of the Company's total issued share capital *(Notes 8 and 9)*
CMC Capital Partners, L.P.	Interest of controlled corporation *(Note 6)*	117,600,000	10.91%
La Confiance Investments Ltd.	Interest of controlled corporation *(Note 6)*	117,600,000	10.91%
Le Bonheur Holdings Ltd.	Interest of controlled corporation *(Note 6)*	117,600,000	10.91%
Alpha Lion Investments Limited	Beneficial owner *(Note 7)*	64,864,864	5.93%
Global Elite Group Limited	Interest of controlled corporation *(Note 7)*	64,864,864	5.93%
Ms. Han Lei	Interest of controlled corporation *(Note 7)*	64,864,864	5.93%
Mr. Huang Xianqin	Interest of controlled corporation *(Note 7)*	64,864,864	5.93%
Ruixin Taifu Investment Group Co., Ltd.	Interest of controlled corporation *(Note 7)*	64,864,864	5.93%
Silverwood International Limited	Interest of controlled corporation *(Note 7)*	64,864,864	5.93%
Mr. Xu Rongta	Interest of controlled corporation *(Note 7)*	64,864,864	5.93%

Notes:

1. Among the 307,888,906 Shares held by Choi Shun Investment Limited, 50,000,000 Shares of which are held by Choi Shun Investment Limited, 221,653,555 Shares of which were purchased from a third party and the transaction has not been completed and 36,235,351 Shares of which Choi Shun Investment Limited is only entitled to exercise the voting rights.

2. The 290,690,848 Shares represent the same block of Shares held by a chain of ownership involving Glassy Mind Holdings Limited.

3. Mr. Yang resigned as Chairman of the Board, the chief executive officer of the Company and an executive Director with effect from 30 June 2020. The interest comprises 20,851,064 underlying Shares and 15,680,000 underlying Shares granted to Mr. Yang pursuant to the management pre-IPO share option scheme adopted by the Company on 7 March 2014 and amended on 12 June 2014 (the "**Management Pre-IPO Share Option Scheme**") and the share option scheme adopted by the Company on 19 November 2014 (the "**2014 Share Option Scheme**"), respectively.

4. Mr. Ng resigned as an executive Director with effect from 29 June 2019 and a co-chief executive officer of the Company with effect from 30 August 2019. The interest comprises 20,851,064 underlying Shares and 15,680,000 underlying Shares granted to Mr. Ng pursuant to the Management Pre-IPO Share Option Scheme and the 2014 Share Option Scheme, respectively.

5. The interest is directly held by Jianying Ourgame High Growth Investment Fund (建贏聯眾高成長投資基金) in which Total Victory Global Limited, controlled by Mr. Yang, Mr. Ng and Mr. Zhang, has the majority voting rights.

6. The 117,600,000 Shares represent the same block of Shares held by a chain of ownership involving CMC Capital Partners.

7. The 64,864,864 Shares represent the same block of Shares held by a chain of ownership involving Alpha Lion Investments Limited.

8. The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.

9. The percentages are calculated on the basis of 1,077,799,887 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL CONTRACTS

Within two years immediately preceding the date of this circular, the following agreements, being contract not entered into in the ordinary course of business, had been entered into by member(s) of the Group and was or may be material:

(i) a share purchase agreement dated 14 January 2020 (U.S. time) entered into between AESE and Brookfield Property Partners L.P., a Bermuda exempted limited partnership, in relation to the sale and issue of 758,725 shares of common stock of Allied Esports Entertainment, Inc. with a par value of US$0.0001 at the consideration of US$5 million; and

(ii) the Stock Purchase Agreement.

6. COMPETING INTEREST OF DIRECTOR

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

7. INTEREST OF DIRECTOR IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group.

8. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE REMAINING GROUP

As at the Latest Practicable Date, (i) none of the Directors nor their respective close associate(s) had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date of which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

9. EXPERT AND CONSENT

The qualification of the expert who has given opinions and advice in this circular is as follows:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants

As at the Latest Practicable Date, Grant Thornton Hong Kong Limited had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up or were proposed to be acquired or disposed of by or leased to any member of the Group.

Grant Thornton Hong Kong Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which they respectively appear.

10. GENERAL

(a) The registered office of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The corporate headquarters of the Company is at Room 1002, 10/F, Tower B Fairmont, No. 1 Building, 33# Community Guangshun North Street, Chaoyang District, Beijing, the PRC.

(c) The principal place of business of the Company in Hong Kong is located at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(d) The company secretary of the Company is Ms. Ng Sau Mei. Ms. Ng Sau Mei is a fellow member of the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in United Kingdom.

(e) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) In the event of inconsistency, the English text shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 6:00 p.m. at the Company's head office and principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019;

(c) the interim report of the Company for the six months ended 30 June 2020;

(d) the letter from Grant Thornton Hong Kong Limited, the reporting accountants of the Company, in respect of the unaudited consolidated financial statements of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the letter from Grant Thornton Hong Kong Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(f) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix;

(g) copy of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(h) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Ourgame International Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Monday, 29 March 2021 at the Conference Room, 10/F, Tower B Fairmont, No. 1 Building, 33# Community, Guangshun North Street, Chaoyang District, Beijing, the PRC for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

the Stock Purchase Agreement dated 19 January 2021 entered into between Allied Esports Entertainment, Inc. (an indirect non-wholly owned subsidiary of the Company) as vendor, Allied Esports Media, Inc. and Club Services, Inc., both being non-wholly owned subsidiary of the Company and Element Partners, LLC, as purchaser (the "**Stock Purchase Agreement**") in relation to the disposal of the entire issued share capital of Club Services, Inc. at a consideration of US$78,250,000 or an equivalent amount in Hong Kong dollar, and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and any one of the directors of the Company (the "**Directors**") be and is hereby authorised to do all such acts and things and sign, agree, ratify or execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Stock Purchase Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director, in the interest of the Company."

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

Beijing, 10 March 2021

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

2. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 24 March 2021 to Monday, 29 March 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 23 March 2021.

4. If there are joint registered holders of a share in the Company, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the EGM in person or by proxy, that one of the joint holders so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules.

* *For identification purpose only.*