ARCHOSAUR GAMES INC.
祖 龙 娱 乐 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

PROFIT UPDATE
IN RESPECT OF THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2020

This announcement is made by Archosaur Games Inc. (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") of the Company wish to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on its preliminary assessment of the Company's unaudited consolidated management accounts for the six months ended 30 June 2020 (the "**Period**") and information currently available to the Group, it is expected that the financial information of the Group for the Period will be as follows:

1. the adjusted net profit (details of which are set out below) of the Group for the Period would increase by not less than RMB100 million for the Period as compared with that for the six months ended 30 June 2019 (the "**Comparable Period**"), representing an increase of not less than 1,000%. Such increase was primarily attributable to (a) the growth in revenue generated from integrated game publishing and operation business, which was mainly brought by the growth of the existing games and the performance of the Group's featured new self-published games in overseas markets in the first half of 2020; and (b) the fact that popular games of the Group which generated more profit for the year ended 31 December 2019 were mainly launched in the second half of 2019.

2. based on the application of International Financial Reporting Standards ("**IFRS**"), the Company expects that there would be an increase in loss of not less than 700% for the Period as compared with that for the Comparable Period, which was mainly attributable to the fair value changes on convertible redeemable preferred shares. The Group recorded losses in both the Period and the Comparable Period primarily due to the treatment under the IFRS relating to the increase in fair value of the convertible redeemable preferred shares as a result of the increase in valuation of the Group.

Reference is made to the prospectus of the Company dated 30 June 2020 (the "**Prospectus**") in relation to the listing of the shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"). As disclosed in the Prospectus, adjusted net profit for the three years ended 31 December 2019 was set out by adding back several accounting items, namely losses on fair value changes on convertible redeemable preferred shares, share-based compensation expenses, interest expenses accrued from redemption liability and listing expenses (collectively, the " **Eliminating Accounting Items**"). Same treatment has also been applied to the adjusted net profit of the Period, as they are either non-cash items or one-off expenses that would not recur after the Listing. The losses on the Eliminating Accounting Items were approximately RMB938 million in aggregate for the Period, of which approximately RMB857 million was loss on fair value changes on convertible redeemable preferred shares for the Period. For details of the aforementioned additional financial measure, please refer to the Prospectus.

The Company believes that expected adjusted net profit for the Period disclosed in this announcement, as compared with the losses recorded by the Group based on the application of the IFRS, provides more useful information to Shareholders and potential investors in understanding and evaluating the operating results of the Group for the Period.

The information contained in this announcement is only based on a preliminary assessment by the Board based on the information currently available to it, which has not been confirmed or reviewed by the auditor or audit committee of the Company.

The presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure stated in this announcement has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's operating results or financial condition as reported under the IFRS. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company and read the interim results announcement of the Company for the Period carefully when it is published by the end of August 2020 in compliance with the Listing Rules.

By order of the Board
Archosaur Games Inc.
Mr. Li Qing
Chairman and Executive Director

Beijing, China, 12 August 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Li Qing as Chairman and an Executive Director, Mr. Bai Wei as an Executive Director, Ms. Liu Ming and Mr. Yan Xinguang as Non-executive Directors, and Mr. Ge Xuan, Mr. Zhu Lin and Mr. Ding Zhiping as Independent Non-executive Directors.