ARCHOSAUR GAMES INC.
祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Archosaur Games Inc. (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020 (the "**Results Announcement**"), as below.

The interim results of the Group for the six months ended 30 June 2020 have been reviewed by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	Change
	RMB million	RMB million	%
	(Unaudited)	(Unaudited)	
Revenue	**601.9**	317.5	89.6%
Cost of revenue	**(148.5)**	(47.4)	213.3%
Gross profit	**453.4**	270.1	67.9%
Research and development expenses	**(227.6)**	(193.0)	17.9%
Selling and marketing expenses	**(98.7)**	(52.1)	89.4%
Administrative expenses	**(81.3)**	(21.7)	274.7%
Other income	**5.6**	5.7	(1.8%)
Other gains, net	**18.4**	4.9	275.5%
Operating profit	**69.8**	13.9	402.2%
Finance income	**2.2**	3.3	(33.3%)
Finance costs	**(9.0)**	(6.8)	32.4%
Finance costs, net	**(6.8)**	(3.5)	94.3%
Fair value changes on convertible redeemable preferred shares	**(856.9)**	(101.1)	747.6%
Loss before income tax	**(793.9)**	(90.7)	775.3%
Income tax credit/(expense)	**6.7**	(4.8)	(239.6%)
Loss for the period	**(787.2)**	(95.5)	724.3%
Non-IFRS measure:			
Adjusted net profit[1]	**151.6**	11.7	1,195.7%

Note:

(1) We define adjusted net profit as net (loss)/profit for the period adjusted by adding back fair value changes on convertible redeemable preferred shares, share-based compensation expenses, interest expenses accrued from redemption liability and listing expenses. We eliminate the impacts of these items that our management does not consider to be indicative of our operating performance, as they are either non-cash items or non-recurring expenses. In particular, fair value changes on convertible redeemable preferred shares, interest expenses accrued from redemption liability and listing expenses will not recur after the Listing. Fair value changes on convertible redeemable preferred shares will not recur after the Listing as convertible redeemable preferred shares have been converted into ordinary shares upon the Listing. Interest expenses accrued from redemption liability will not recur after the Listing because the redemption liability is in relation to a put option that was extinguished and ceased to have effect upon the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Our mission is to be a top-class gaming company in the world, serving global game players by continuously creating industry-leading games across a diverse array of genres.

We are a pioneer in China's mobile game industry focusing on developing high-quality mobile MMORPGs, with proven capabilities in developing high-quality mobile games with excellent market reception.

Our Existing Games

We mainly focus on mobile MMORPG development and offer a mature and strategically selective portfolio of top-rated mobile games with excellent market reception globally. As at the date of this Results Announcement, we had launched 14 mobile games with over 60 regional versions in 14 languages available in more than 170 regional markets, such as Hong Kong, Macau, Taiwan, Southeast Asia, South Korea, Japan, Europe and the Americas. Our existing games achieved a number of "firsts" in China's mobile game industry: Loong Craft (六龍爭霸／六龍御天) as one of the first real 3D mobile MMORPG grand strategy wargames, Dragon Raja (龍族幻想) as China's first next generation real 3D mobile MMORPG powered by Unreal Engine 4, and Fantasy Zhuxian (夢幻誅仙) as one of the pioneering real 3D turn-based mobile MMORPGs. For the first half of 2020, we have kept a sustainable growth or performance for the games we are operating. For example, World of Kings (萬王之王3D) has been on a stable situation with good performance in revenue and ranking upon self-publishing one year ago in Europe and the Americas. Furthermore, we had successfully launched three new regional versions of Dragon Raja (龍族幻想) in Europe, the Americas, Japan and Southeast Asia and a new regional version of such game in Vietnam is expected to be launched in the second half of 2020. As at the date of this Results Announcement, Dragon Raja (龍族幻想) contributed to our revenue growth and has achieved the following:

- It ranked first among mobile MMORPGs and second among mobile RPGs based on iOS App Store downloads in the United States and sat among the top ten mobile games based on iOS App Store downloads in eight regional markets in Europe.

- It notched a top 40 entry on the Top Grossing Chart of the iOS App Store in the United States within three months after launch in the Americas.

- It is the first Chinese mobile MMORPG to top the Top Free Games Charts of both iOS App Store and Google Play in Japan since Chinese game companies began to establish their presence in the Japanese market in 2014.

- It topped the Top Free Games Charts of both iOS App Store and Google Play in Thailand for eight consecutive days as well as the Top Free Games Chart of Google Play in Singapore for nine consecutive days.

Our Game Pipeline

To build up a diversified game portfolio across a wide range of genres, we expect to launch 8 mobile games domestically and globally over the period from 2020 to 2022, covering the genres of MMORPG, SLG and others. As at the date of this Results Announcement, the table below sets out certain information regarding our new games expected to be launched for the periods indicated, including title, genre, IP source, development stage, expected launch date and major markets.

Title[1]	**Mobile game genre**[1]	**IP source**[1]	**Development stage as at the date of this Results Announcement**[1]	**Expected launch date**[1]	**Major markets**[1]
2020					
Under the Firmament (鴻圖之下)	SLG	Original IP	Game Production	Q4, 2020	Mainland China and East Asia
The New World (夢想新大陸)	MMORPG	Original IP	Game Production	Q4, 2020	Mainland China
2021					
Noah's Heart (諾亞之心)	MMORPG	Original IP	Game Production	Q1, 2021	Worldwide
Sango Heroes (三國群英傳)	SLG	Licensed IP	Game Proposal	Q4, 2021	Worldwide
ProjectC[2]	SLG	–[2]	Game Production	Q4, 2021	Worldwide
2022					
ProjectA[2][3]	Others	Original IP	Game Production	Q1, 2022	Worldwide
ProjectB[2]	MMORPG	Licensed IP	Game Production	Q1, 2022	Worldwide
ProjectD[2]	MMORPG	–[2]	Market Research and Game Proposal	Q4, 2022	Worldwide

Notes:

(1) The game pipeline is indicative as at the date of this Results Announcement. The title, genre, expected launch date, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and preapproval status.

(2) The game title or IP status, as applicable, of the respective game is pending.

(3) We plan to integrate female-oriented game design in the game.

We recorded revenue of RMB601.9 million for the six months ended 30 June 2020, representing an increase of 89.6% as compared with RMB317.5 million for the corresponding period in 2019, which primarily attributable to (i) 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 (ii) 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. Our games continued to achieve strong operating results and recorded outstanding performance. Since the Coronavirus disease ("**COVID-19**") outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across China and other countries in the world. However, due to the nature of the gaming industry and benefiting from the Company's sufficient hygiene measures and stable relationships with our suppliers and customers, the COVID-19 outbreak did not have any material adverse impact on our business operations, financial performance or working capital of our Company.

Financial Review

Revenue

The following table sets forth the breakdown of our revenue by business segment for the periods indicated:

	For the six months ended 30 June			
	2020 RMB million (Unaudited)	**% of total revenue**	2019 RMB million (Unaudited)	% of total revenue
Development and licensing	**291.0**	**48.3%**	250.8	79.0%
– Revenue share	**267.9**	**44.5%**	224.7	70.8%
– Non-refundable fixed licensing fees	**23.1**	**3.8%**	26.1	8.2%
Integrated game publishing and operation	**310.9**	**51.7%**	66.7	21.0%
Others[1]	**–**	**–**	0.0	0.0%
Total	**601.9**	**100.0%**	317.5	100.0%

Note:

(1) Others represent online game technology support and upgrade services we provided to other game developers.

For the six months ended 30 June 2020, our revenue from development and licensing was RMB291.0 million, representing an increase of 16.0% from RMB250.8 million for the corresponding period in 2019, and our revenue from integrated game publishing and operations was RMB310.9 million, representing an increase of 366.1% from RMB66.7 million for the corresponding period in 2019.

The following table sets forth the breakdown of our revenue segment by geography for the periods indicated:

	For the six months ended 30 June			
	2020 RMB million (Unaudited)	**% of total revenue**	2019 RMB million (Unaudited)	% of total revenue
Domestic	**195.4**	**32.5%**	208.4	65.6%
Overseas	**406.5**	**67.5%**	109.1	34.4%
Total	**601.9**	**100.0%**	317.5	100.0%

For the six months ended 30 June 2020, for domestic market, the games in operation have been maintaining a stable performance, especially for Dragon Raja (龍族幻想), Fantasy Zhuxian (夢幻誅仙) and Love & Sword (御劍情緣); our revenue generated from markets outside mainland China accounted for 67.5% of our total revenue, representing an increase of 272.6%, which is in line with our shifted focus of integrated game publishing and operation business from mainland China to markets outside of mainland China.

Cost of Revenue

The following table sets out a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our cost of revenue for the periods indicated:

	For the six months ended 30 June				
	2020 RMB million (Unaudited)	**%**	2019 RMB million (Unaudited)	%	Change (%)
Commissions charged by distribution channels and payment channels	**95.4**	**64.2%**	26.1	55.1%	265.5%
Revenue share to IP holders	**34.3**	**23.1%**	11.2	23.6%	206.3%
Bandwidth and servers custody fee	**9.8**	**6.6%**	2.8	5.9%	250.0%
Employee benefit expenses	**3.2**	**2.2%**	3.2	6.8%	0.0%
Depreciation and amortization charges	**3.9**	**2.6%**	3.5	7.4%	11.4%
Others	**1.9**	**1.3%**	0.6	1.2%	216.7%
Total	**148.5**	**100.0%**	47.4	100.0%	213.3%

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels, and (ii) revenue share to IP holders. Our cost of revenue increased to RMB148.5 million for the six months ended 30 June 2020 as compared with RMB47.4 million for the corresponding period in 2019, which was mainly attributable to an increase in commissions charged by distribution channels and payment channels as a result of the increase in revenue generated from integrated game publishing and operation business and revenue share to IP holders, which was in line with the increase in gross billings generated from games with licensed IP.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2020, the gross profit of the Group increased by 67.9% to RMB453.4 million as compared with RMB270.1 million for the corresponding period in 2019, mainly attributable to the growth in revenue. The gross margin of the Group decreased to 75.3% for the six months ended 30 June 2020 from 85.1% for the corresponding period in 2019, mainly attributable to an increase in revenue from integrated game publishing and operation as a percentage of our total revenue, taking into consideration that cost associated with integrated game publishing and operation business as a percentage to revenue from integrated game publishing and operation business is generally higher than cost associated with development and licensing business as a percentage to revenue from development and licensing business.

Research and Development Expenses

Our research and development expenses primarily consisted of (i) employee benefit expenses; (ii) outsourced technical services; and (iii) depreciation and amortization charges. For the six months ended 30 June 2020, our research and development expenses increased by 17.9% to RMB227.6 million as compared with RMB193.0 million for the corresponding period in 2019, mainly attributable to the increase in employee benefit expenses, including share-based compensation expenses, and outsourced technical services to satisfy our business expansion.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the six months ended 30 June 2020, our selling and marketing expenses increased by 89.4% to RMB98.7 million as compared with RMB52.1 million for the corresponding period in 2019, mainly attributable to an increase in promotion and advertising expenses in line with the launch schedule of self-published games.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) share-based compensation expenses arising from the redesignation of ordinary shares into Series C-1 Preferred Shares; and (iii) listing expenses. For the six months ended 30 June 2020, our administrative expenses increased by 274.7% to RMB81.3 million as compared with RMB21.7 million for the corresponding period in 2019, mainly attributable to the occurrence of share-based compensation costs arising from the redesignation of ordinary shares into Series C-1 Preferred Shares and listing expenses, which is either non-cash items or non-recurring in nature.

Other Income

For the six months ended 30 June 2020, our other income decreased by 1.8% to RMB5.6 million as compared with RMB5.7 million for the corresponding period in 2019.

Finance Costs, Net

Finance income represented interest income from bank deposits, including bank balance and term deposits. Finance costs primarily consisted of interest expenses accrued from our redemption liability and lease liabilities. For the six months ended 30 June 2020, our net finance costs increased by 94.3% to RMB6.8 million as compared with RMB3.5 million for the corresponding period in 2019, mainly attributable to the interest expenses accrued from lease liabilities.

Other Gains, Net

Our other (losses)/gains primarily consist of (i) gains on financial assets at fair value through profit or loss; (ii) net foreign exchange (losses)/gains; and (iii) donation incurred. For the six months ended 30 June 2020, our net other gains of the Group increased by 275.5% to RMB18.4 million as compared with RMB4.9 million for the corresponding period in 2019, mainly attributable to an increase in foreign exchange gains for the six months ended 30 June 2020. Also a donation of RMB10.0 million was made during the corresponding period in 2019 which was non-recurring in nature.

Income Tax Credit/(Expense)

Our income tax credit/(expense) consists of current income tax and deferred tax, and we incurred total income tax credit of RMB6.7 million for the six months ended 30 June 2020, compared with income tax expense of RMB4.8 million for the corresponding period in 2019. The management considered there were uncertainties regarding the future interpretation and implementation for the criteria as a Software Enterprise under the EIT law, therefore, a preferential income tax rate of 15% as a High and New Technology Enterprise was estimated for Huai'an Loong in 2019. According to the relevant tax circular updated by Ministry of Finance and State Administration of Taxation on 29 May 2020, Huai'an Loong qualified as a Software Enterprise for 2019 and 2020 and is in its first year of a two-year period of income tax exemption in 2019. As a result, a reversal of income tax of RMB11.8 million to reflect the first year of tax exemption of Software Enterprise was recorded for the six months ended 30 June 2020.

Adjusted net profit

The adjusted net profit for the six months ended 30 June 2020 increased by 1,195.7% to RMB151.6 million as compared with RMB11.7 million for the corresponding period in 2019. Such increase was primarily attributable to (i) 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 for the six months ended 30 June 2020; and (ii) 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. Due to the fair value changes on convertible redeemable preferred shares based on the application of International Financial Reporting Standards, loss was recorded for the six months ended 30 June 2020. The Company believes that adjusted net profit for the six months ended 30 June 2020, as compared with the loss recorded by the Group based on the application of International Financial Reporting Standards, provides more useful information to Shareholders and potential investors in understanding and evaluating the operating results of the Group.

Liquidity and Financial Resources

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity financing. We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Company, and the net proceeds from the Listing, and after diligent and careful investigation, the Directors are of the view that the Group have sufficient working capital required for the Group's operations at present.

The following table sets out our cash flows for the periods indicated:

	For the six months ended 30 June		
	2020	2019	Change
	RMB million	RMB million	*(%)*
	(Unaudited)	(Unaudited)	
Net cash generated from operating activities	**277.9**	110.2	152.2%
Net cash used in investing activities	**(12.2)**	(176.9)	(93.1%)
Net cash used in financing activities	**(244.8)**	(10.2)	2,300.0%
Net increase/(decrease) in cash and cash equivalents	**20.9**	(76.9)	(127.2%)
Cash and cash equivalents at the beginning of the period	**728.3**	588.4	23.8%
Exchange gains on cash and cash equivalents	**4.3**	1.0	330.0%
Cash and cash equivalents at the end of the period	**753.5**	512.5	47.0%

Operating Activities

For the six months ended 30 June 2020, net cash generated from operating activities was RMB277.9 million, compared with RMB110.2 million for the corresponding period in 2019, representing an increase of 152.2%. The increase was mainly attributable to the subsequent collection of trade receivables as at 31 December 2019.

Investing Activities

For the six months ended 30 June 2020, net cash used in investing activities was RMB12.2 million, compared with RMB176.9 million for the corresponding period in 2019, representing a decrease of 93.1%. The decrease was mainly attributable to the proceeds from maturity of term deposits and fewer purchases of intangible assets during the six months ended 30 June 2020.

Financing Activities

For the six months ended 30 June 2020, net cash used in financing activities was RMB244.8 million, compared with RMB10.2 million for the corresponding period in 2019, representing an increase of 2,300.0%. The increase was mainly attributable to a declaration and payment of dividend, which is offset by the proceeds received from issuance of convertible redeemable preferred shares.

Gearing Ratio

As at 30 June 2020, our gearing ratio, which is calculated as total debt divided by total assets, was 163.4%, as compared with 91.1% as at 31 December 2019.

Capital Expenditure

Our capital expenditure comprised expenditures on purchase of intangible assets and purchase of property, plant and equipment. For the six months ended 30 June 2020 and 2019, total capital expenditure amounted to RMB6.2 million and RMB19.4 million respectively, representing a decrease of 68.0%. The decrease was mainly attributable to fewer purchases of intangible assets during the six months ended 30 June 2020.

Significant Investments Held/Future Plans for Significant Investments or Capital Assets

As at 30 June 2020, there was no significant investment held by the Group or future plans for significant investments or capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2020, there was no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Charge on Assets

As at 30 June 2020, no property, plant and equipment was pledged.

Contingent Liabilities

As at 30 June 2020, we did not have any unrecorded significant contingent liabilities against us.

Employees and Remuneration Policies

As at 30 June 2020, we employed approximately 1,001 full-time staff in total. Substantially all of our employees are based in China, primarily at our headquarters in Beijing, with the remainder in Chengdu and Changchun.

We are committed to establishing a competitive and fair remuneration and benefits environment for our employees. To effectively motivate our business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparisons with our competitors. We conduct performance evaluations of our employees quarterly to provide feedback on their performance. Remuneration for our employees typically consists of a base salary and performance-based and year-end bonuses. To incentivize our Directors, senior management and employees of the Group for their contribution to our Group, the Company adopted the RSU Scheme on 1 April 2020.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

We provide regular and specialized training tailored to the needs of our employees in different departments. We regularly organize training sessions conducted by senior employees or external consultants, covering various aspects of our business operations, including overall management, project execution and technical know-how. We constantly review the content of training and follow up with employees to evaluate the effect of such training. Through the training, we help our employees to stay up to date with both industry development, skills and technologies. We also organize workshops, from time to time, to discuss specific topics.

Foreign Currency Exchange Risks

For the six months ended 30 June 2020, most of transactions of the Group and our cash and cash equivalents were denominated in RMB and US$. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. For the six months ended 30 June 2020, the Group has not incurred any significant foreign currency exchange losses in its operations. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Use of Net Proceeds from Global Offering

The Shares were listed on the Stock Exchange on 15 July 2020. The net proceeds raised from the Global Offering (after taking account of the exercise of over-allotment option), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK$2,358.5 million. As at the date of this Results Announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. To the extent that net proceeds are not immediately used for the intended use, the Company currently intends to place such proceeds in short-term interest bearing instruments, such as liquid fixed-income securities, short-term bank deposits, short-term and low risk wealth management products or money market instruments with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company.

EVENTS AFTER THE REPORTING PERIOD

(1) On 15 July 2020, the Company successfully completed its initial public offering of 187,400,000 Shares at HK$11.60 per Share, and its Shares were listed on the Main Board of the Stock Exchange. Immediately preceding the Listing, the Company has issued and allotted additional 497,959,184 Shares to then shareholders credited as fully paid at par value pursuant to the Capitalization Issue. The net proceeds from the Global Offering, after deduction of the underwriting commissions and other listing expenses which are incremental costs directly attributable to the issuance of the new shares, has increased net assets of the Group.

    Upon the Listing, all preferred shares were converted into ordinary shares. As a result, the financial liabilities for preferred shares (including convertible redeemable preferred shares and redemption liability) were derecognized and recorded as share capital and share premium.

(2) On 11 August 2020, the over-allotment option described in the Prospectus was fully exercised by the Sole Global Coordinator on behalf of the International Underwriters as defined in the Prospectus in respect of an aggregate of 28,110,000 offer shares (the "**Over-allotment Shares**"). The Over-allotment Shares have been allotted and issued by the Company at HK$11.60 per Share.

Save as disclosed above, as at the date of this Results Announcement, the Group did not have any significant events after the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Since the Listing Date and up to the date of this Results Announcement, our Company has complied with all applicable code provisions as set out in the Corporate Governance Code save for the deviation from code provision A.2.1 of the Corporate Governance Code.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Li Qing is our executive Director, Chairman and the chief executive officer of our Company. With extensive experience in the information technology and game industry, Mr. Li Qing is responsible for the overall management, decision-making and strategy planning of our Group and has been instrumental to our Group's growth and business expansion since the establishment of our Group. Since Mr. Li Qing is one of the key persons for our Group's management, our Board considers that vesting the roles of chairman and chief executive officer in the same person, Mr. Li Qing, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management of our Group and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Li Qing. Our Board currently comprises two executive Directors (including Mr. Li Qing), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code since the Listing Date and up to the date of this Results Announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. As at the date of this Results Announcement, the Audit Committee consists of three members, namely Mr. Zhu Lin, Mr. Ge Xuan and Mr. Ding Zhiping. Mr. Zhu Lin is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2020 and this Results Announcement. The Audit Committee has no disagreement with the accounting treatment in the unaudited interim financial statements and this Results Announcement.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND

The Board has resolved not to recommend to declare any interim dividend for the six months ended 30 June 2020.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This Results Announcement is published on the websites of the Company (www.zulong.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2020 will be dispatched to the Shareholders and published on the above websites in due course.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	**601,945**	317,538
Cost of revenue	6	**(148,588)**	(47,441)
Gross profit		**453,357**	270,097
Research and development expenses	6	**(227,564)**	(192,980)
Selling and marketing expenses	6	**(98,656)**	(52,130)
Administrative expenses	6	**(81,311)**	(21,680)
Other income		**5,565**	5,669
Other gains, net	5	**18,383**	4,923
Operating profit		**69,774**	13,899
Finance income		**2,217**	3,322
Finance costs		**(9,023)**	(6,851)
Finance costs, net		**(6,806)**	(3,529)
Fair value changes on convertible redeemable preferred shares	11	**(856,843)**	(101,097)
Loss before income tax		**(793,875)**	(90,727)
Income tax credit/(expense)	7	**6,676**	(4,798)
Loss for the period		**(787,199)**	(95,525)
Loss attributable to:			
– Owners of the Company		**(787,199)**	(95,522)
– Non-controlling interests		**–**	(3)
		(787,199)	(95,525)
Loss per share attributable to owners of the Company for the period (in RMB/share)	8		
– Basic		**(2.46)**	(0.27)
– Diluted		**(2.46)**	(0.27)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Loss for the period		**(787,199)**	(95,525)
Other comprehensive income/(loss), net of tax:			
Items that may be reclassified to profit or loss			
Currency translation differences		**1,610**	47
Items that will not be reclassified to profit or loss			
Fair value changes on convertible redeemable preferred shares due to own credit risk	*11*	**(1,873)**	(3,102)
Total comprehensive loss for the period		**(787,462)**	(98,580)
Attributable to:			
– Owners of the Company		**(787,462)**	(98,577)
– Non-controlling interests		**–**	(3)
		(787,462)	(98,580)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

	Note	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**11,522**	8,708
Right-of-use assets		**156,471**	41,968
Intangible assets		**40,001**	44,033
Prepayment, other receivables and other assets		**21,008**	20,261
Deferred tax assets		**8,939**	7,188
		237,941	122,158
Current assets			
Trade receivables	*10*	**390,187**	545,775
Prepayment, other receivables and other assets		**51,193**	33,318
Financial assets at fair value through profit or loss		**489,298**	330,968
Term deposits		**354**	142,663
Restricted cash		**2,832**	–
Cash and cash equivalents		**753,548**	728,318
		1,687,412	1,781,042
Total assets		**1,925,353**	1,903,200

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020 (CONTINUED)

	Note	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Equity and liabilities			
Equity attributable to owners of the Company			
Combined capital		**–**	577,975
Share capital		**3**	–
Share premium		**2,024,241**	–
Other reserves		**(1,653,448)**	189,877
Accumulated losses		**(1,592,337)**	(597,750)
		(1,221,541)	170,102
Non-controlling interests		**–**	–
Total equity		**(1,221,541)**	170,102
Liabilities			
Non-current liabilities			
Contract liabilities		**10,619**	10,171
Lease liabilities		**125,300**	22,643
Convertible redeemable preferred shares	*11*	**2,551,964**	1,259,648
Other non-current liabilities	*12*	**166,038**	174,195
		2,853,921	1,466,657
Current liabilities			
Trade and other payables	*13*	**192,830**	156,864
Contract liabilities		**53,185**	62,375
Current income tax liabilities		**19,337**	32,582
Lease liabilities		**27,621**	14,620
		292,973	266,441
Total liabilities		**3,146,894**	1,733,098
Total equity and liabilities		**1,925,353**	1,903,200

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**277,851**	110,212
Net cash used in investing activities	**(12,212)**	(176,865)
Net cash used in financing activities	**(244,778)**	(10,254)
Net increase/(decrease) in cash and cash equivalents	**20,861**	(76,907)
Cash and cash equivalents at beginning of the period	**728,318**	588,391
Exchange gains on cash and cash equivalents	**4,369**	1,051
Cash and cash equivalents at end of the period	**753,548**	512,535

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Archosaur Games Inc. (the "**Company**") was incorporated in the Cayman Islands on 2 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development and operating of mobile games in the People's Republic of China (the "**PRC**") and other countries and regions (the "**Group's Business**").

In preparation for the initial public offering and listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Group underwent a reorganization (the "**Reorganization**") to establish the Company as the ultimate holding company of the companies now comprising the Group which conduct the Group's Business. Details of the Group's Reorganization have been disclosed in the accountant's report (the "**Accountant's Report**") included in appendix I to the prospectus of the Company dated 30 June 2020 (the "**Prospectus**").

The Company's shares have been listed on the Stock Exchange since 15 July 2020 ("**Listing**").

This interim condensed consolidated financial information for the six months ended 30 June 2020 is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) unless otherwise indicated. This interim condensed consolidated financial information for the six months ended 30 June 2020 was approved on 28 August 2020.

This interim condensed consolidated financial information for the six months ended 30 June 2020 has not been audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**"). This interim condensed consolidated financial information should be read in conjunction with the Group's combined financial statements for the three years ended 31 December 2017, 2018 and 2019, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), as set out in the Accountant's Report.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the combined financial statements of the Company for the three years ended 31 December 2017, 2018 and 2019, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

Standards and amendments	**Effective for annual periods beginning on or after**
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020
Amendments to IFRS 3 – Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	1 January 2020
Amendment to IFRS 16 – COVID-19-Related Rent Concessions	1 June 2020 *(Note (a))*

Note:

(a) Early application of the amendment is permitted.

Other than as explained below regarding the impact of Amendment to IFRS 16 – COVID-19-Related Rent Concessions, the adoption of other applicable new and amended standards above did not have any material effect on the Group's interim condensed consolidated financial information.

Adoption of Amendment to IFRS 16 – COVID-19-Related Rent Concessions

The Group has early adopted Amendment to IFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB1,883,000 have been accounted for as negative variable lease payments and recognised in the statement of profit or loss for the six months ended 30 June 2020 *(Note 6)*, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

4 SEGMENT INFORMATION AND REVENUE

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the directors of the Company consider that the Group's operations are operated and managed as a single segment and no segment information is presented, accordingly.

As at 31 December 2019 and 30 June 2020, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended 30 June 2019 and 2020 are as follows: the Group considered itself as an agent in arrangements of "development and licensing business" and "other business", and recorded revenue on a net basis; whereas, the Group considered itself as a principal in arrangements of "integrated game publishing and operation business", and recorded revenue on a gross basis.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Online game revenue		
– Development and licensing		
Revenue share	**267,874**	224,752
Non-refundable fixed licensing fees	**23,157**	26,060
– Integrated game publishing and operation	**310,914**	66,714
Others	**–**	12
	601,945	317,538
Online game revenue		
– Mobile Game	**601,945**	317,229
– PC Game	**–**	297
Others	**–**	12
	601,945	317,538
Timing of revenue recognition		
– At a point in time	**267,874**	224,764
– Over time	**334,071**	92,774
	601,945	317,538

Revenues of approximately RMB243,806,000 and RMB290,774,000 for the six months ended 30 June 2019 and 2020, respective were derived from five largest single external customers.

During the six months ended 30 June 2019, revenues of approximately RMB143,987,000 and RMB55,255,000 were derived from respective single external customers each accounted for more than 10% of total revenue.

During the six months ended 30 June 2020, revenue of approximately RMB221,912,000 was derived from a single external customer accounted for more than 10% of total revenue.

The amount of its revenue from external customers broken down by location of the customers is shown in the table below.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue segment by geography		
Domestic	**195,377**	208,445
Overseas	**406,568**	109,093
	601,945	317,538

5 OTHER GAINS, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gains on financial assets at fair value through profit or loss	**8,939**	13,146
Foreign exchange gains, net	**8,685**	1,788
Donation	**–**	(10,009)
Others	**759**	(2)
	18,383	4,923

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**209,043**	177,226
Share-based compensation costs arising from the re-designation of ordinary shares into Series C-1 Preferred Shares *(Note 11)*	**30,350**	–
Promotion and advertising expenses	**85,138**	43,357
Commissions charged by distribution channels and payment channels	**95,398**	26,051
Revenue share to the intellectual property ("**IP**") holders	**34,343**	11,231
Outsourced technical services	**32,825**	18,129
Depreciation and amortization charges	**22,786**	20,185
COVID-19-related rent concessions *(Note 3)*	**(1,883)**	–
VAT input transfer out and tax surcharges	**2,317**	1,705
Utilities and office expenses	**5,420**	5,230
Bandwidth and servers custody fee	**9,796**	2,843
Travelling expenses	**1,975**	2,560
Provision for impairment of trade receivables	**(3,538)**	(141)
Listing expenses	**28,120**	–
Other professional consulting fees	**2,735**	2,241
Others	**1,294**	3,614
	556,119	314,231

7 INCOME TAX CREDIT/(EXPENSE)

The income tax credit/(expense) of the Group for the six months ended 30 June 2019 and 2020 is analyzed as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**4,925**	(1,099)
Deferred tax	**1,751**	(3,699)
	6,676	(4,798)

(a) Cayman Islands and the British Virgin Islands ("BVI") Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

(b) Hong Kong Income Tax

The entity incorporated in Hong Kong is subject to Hong Kong profit tax at rate of 16.5% on the assessable profits for the six months ended 30 June 2019 and 2020, based on the existing legislation, interpretations and practices in respect thereof.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2020, based on the existing legislation, interpretations and practices in respect thereof.

Tianjin Loong Technology Co., Ltd. (祖龍(天津)科技股份有限公司, "**Tianjin Loong**") qualified as a "High and New Technology Enterprise" ("**HNTE**") for three years under the EIT Law in 2017 and was entitled to a preferential income tax rate of 15% on their estimated assessable profits for the years ended 31 December 2017, 2018 and 2019. In 2020, Tianjin Loong is renewing its qualification as a HNTE and the management expects that Tianjin Loong will still be subject to a preferential income tax rate of 15% for the financial year.

Huai'an Loong Technology Co., Ltd. (淮安祖龍科技有限公司, "**Huai'an Loong**") qualified as a HNTE for three years under the EIT Law since 2018 and was entitled to a preferential income tax rate of 15% on their estimated assessable profits for the years ended 31 December 2018 and 2019. Pursuant to the relevant tax circular in 2019, an entity that qualifies as a "Software Enterprise" is entitled to a two-year EIT exemption period, followed by a three-year period with 50% reduction in the applicable income tax rate, commencing from the first year of profitable operation after offsetting tax losses generating from prior years before 31 December 2018. As the first year of profitable operation of Huai'an Loong was 2019 and the management considered there were uncertainties regarding the future interpretation and implementation for the criteria as a Software Enterprise under the EIT law, a preferential income tax rate of 15% as a HNTE was estimated for Huai'an Loong in 2019. According to the relevant tax circular updated by Ministry of Finance and State Administration of Taxation on 29 May 2020, Huai'an Loong qualified as a Software Enterprise for 2019 and 2020 and is in its first year of a two-year period of income tax exemption in 2019. As a result, a reversal of income tax of RMB11.8 million to reflect the first year of tax exemption of Software Enterprise was recorded in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2020.

Horgos Loong Technology Development Co., Ltd. (霍爾果斯祖龍科技發展有限公司, "**Horgos Loong**") was incorporated in a special economic development zone under relevant PRC laws and regulations in 2017 and is entitled to a tax concession of exemption from EIT, which was deregistered on 1 April 2020.

8 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the Group's loss attributable to owners of the Company by the weighted average number of outstanding ordinary shares in issue during the periods. The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both periods has been retrospectively adjusted for the Capitalization Issue.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(787,199)**	(95,522)
Weighted average number of ordinary shares in issue (in thousands)	**320,267**	354,767
Basic loss per share (in RMB/share)	**(2.46)**	(0.27)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Preferred Shares and the restricted share units ("**RSUs**"). As the Group incurred losses for the six months ended 30 June 2019 and 2020, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended 30 June 2019 and 2020 were the same as basic loss per share of the respective periods.

9 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends declared and paid by Tianjin Loong to its then shareholders	**211,171**	–

Notes:

(a) The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this Results Announcement.

(b) The amount presented above does not include the dividends paid to the holders of convertible redeemable preferred shares of RMB106,400,000 *(Note 11)* and the shareholder with a put option of RMB14,929,000 *(Note 12)*.

10 TRADE RECEIVABLES

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables	**393,986**	553,112
Less: allowance for impairment of trade receivables	**(3,799)**	(7,337)
Trade receivables – net	**390,187**	545,775

The following table sets forth the gross carrying amount of trade receivables by customer types:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Related parties	**221,216**	424,168
Third parties	**172,770**	128,944
	393,986	553,112

The gross carrying amount of the Group's trade receivables is dominated in the following currencies:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
RMB	**178,005**	473,782
United States Dollar ("**US$**")	**187,995**	74,223
Hong Kong Dollar ("**HK$**")	**27,986**	5,107
	393,986	553,112

The Group allows a credit period of 90 – 150 days to its customers. An aging analysis of trade receivables based on revenue recognition date is as follows:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Up to 3 months	**246,467**	230,963
3 to 6 months	**114,234**	282,397
6 months to 1 year	**31,780**	39,463
Over 1 year	**1,505**	289
	393,986	553,112

Movements on the Group's provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**(7,337)**	(3,088)
Provision for impairment	**(397)**	(283)
Reversal of impairment	**3,935**	424
At end of the period	**(3,799)**	(2,947)

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the interim condensed consolidated statement of profit or loss.

The maximum exposure to credit risk at the date of this Results Announcement is the carrying value of trade receivables. The Group does not hold any collateral as security.

11 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On 10 August 2015, Tianjin Loong issued certain capital interests of RMB143,017,000 to Perfect World Games Co., Ltd. ("**Perfect World Games**"). On 11 January 2017, Tianjin Loong issued certain capital interests of RMB260,000,000 to Linzhi Lichuang Information Technology Co., Ltd. ("**Linzhi Lichuang**"). Upon the issuance of these capital interests, Perfect World Games, Linzhi Lichuang (together, "**Domestic Investors**") and Tianjin Loong have entered into several shareholders' agreements ("**Domestic Shareholders Agreements**") where Perfect World Games and Linzhi Lichuang were granted certain preferred rights. Capitals with preferred rights are referred to as "Preferred Shares".

On 4 March 2020, in contemplation of the Listing and to reflect the onshore investment by Perfect World Games and Linzhi Lichuang at the level of the Company, each of Perfect World Interactive Entertainment Co., Ltd. ("**Perfect World Interactive**") and Image Frame Investment (HK) Limited ("**Image Frame**") (together, "**Offshore Investors**"), among others, entered into the Offshore Share Subscription Agreement and the Offshore Shareholders Agreement, pursuant to which the Company has allotted and Perfect World Interactive and Image Frame have subscribed for 18,050,000 Series A Preferred Shares and 12,350,000 Series B Preferred Shares for nominal consideration of US$1.0, respectively.

On 4 March 2020, pursuant to the Offshore Share Purchase Agreement, Cresc Chorus Limited ("**Cresc Chorus**") as vendor agreed to sell and each of Perfect World Interactive and Image Frame as purchaser agreed to purchase 4,500,000 ordinary shares of the Company for a consideration of RMB220.0 million each. Such shares have been re-designated into Series C-1 Preferred Shares upon closing, which would be recognised as convertible redeemable preferred shares. The consideration received by Cresc Chorus was determined based on the fair value of Series C-1 Preferred Shares. Accordingly, the Group recorded a share-based compensation cost of RMB30,350,000, which is the difference between the consideration paid by Offshore Investors and the fair value of transferred ordinary shares.

On 4 March 2020, Perfect World Interactive and Image Frame, among others, entered into the Offshore Share Subscription Agreement pursuant to which they each further subscribed for 1,020,408 Series C-2 Preferred Shares for U.S. dollars equivalent of RMB50.0 million, which would be recognised as convertible redeemable preferred shares.

The key terms of the preferred rights granted to Domestic Investors are summarized as follows:

Upon liquidation, dissolution, winding up or any other liquidation events of Tianjin Loong as defined in the Domestic Shareholders Agreements, all assets and funds legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the Domestic Investors prior to and in preference to all of the other shareholders of Tianjin Loong. The preferential liquidation amount shall be equal to any dividends declared and unpaid with respect to the Preferred Shares plus the higher of: (i) certain predetermined amount for Perfect World Games/Linzhi Lichuang's accumulated investment amount in Tianjin Loong plus interest of 8% per annum simple interest for Linzhi Lichuang; (ii) an amount that the Domestic Investors would receive on an as-converted basis assuming that the assets of Tianjin Loong available for distribution to the shareholders are to be distributed to the Domestic Investors and the holders of other capital interests on a pro rata basis.

Perfect World Games and Linzhi Lichuang are entitled to require and demand the redemption of all or part of its Preferred Shares at any time from Beijing Loong Game Technology Limited ("**Beijing Loong**"), Ningbo Long Ren Enterprise Management Partnership (Limited Partnership) ("**Ningbo Longren**"), Mr. Li Qing, Mr. Xiang Nan, Mr. Zhang Yu, Mr. Bai Wei and Tianjin Loong after the occurrence of any of the following events: (i) failure of a QIPO (an initial public offering by Tianjin Loong of its shares on domestic or any other internationally recognized stock exchange, or capital transactions with listed companies through reorganizations) or sale of all or substantially all of the assets of Tianjin Loong approved by a shareholders' resolution to take place within five years from Linzhi Lichuang Preferred Shares issue date; (ii) any material breach of the Domestic Shareholders Agreements by Beijing Loong, Ningbo Longren, Mr. Li Qing, Mr. Xiang Nan, Mr. Zhang Yu and Mr. Bai Wei; (iii) any material dishonest behavior or frauds by certain members of management. The redemption price shall be calculated equal to: (i) certain predetermined amount for Perfect World Games/ Linzhi Lichuang's accumulated investment amount in Tianjin Loong for Linzhi Lichuang, plus (ii) an 8% per annum simple interest, and (iii) any declared but unpaid dividends thereon.

The Domestic Investors shall have the right to convert their investments in Tianjin Loong to equivalent investments in the Company.

The Domestic Shareholders Agreements were terminated on 10 March 2020 upon completion of the Reorganization. The above preferred rights were granted to the Offshore Investors with a further stipulation of conversion right under which each Preferred Share shall be converted into ordinary share upon the Listing based on the then applicable conversion ratio and conversion price (subject to adjustment).

Upon the Listing on 15 July 2020, all outstanding Preferred Shares of the Company have been converted into ordinary shares.

The movements of the convertible redeemable preferred shares are set out as below:

	RMB'000 (Unaudited)
At 1 January 2020	1,259,648
Issuance of Series C-1 and C-2 Preferred Shares	540,000
Changes in fair value	858,716
Includes: change in fair value due to own credit risk	1,873
Dividend declared and paid	(106,400)
At 30 June 2020	2,551,964
Total unrealized gains and change in fair value for the period included in "Fair value loss of convertible redeemable preferred shares"	750,443
At 1 January 2019	1,043,738
Changes in fair value	104,199
Includes: change in fair value due to own credit risk	3,102
At 30 June 2019	1,147,937
Total unrealized gains and change in fair value for the period included in "Fair value loss of convertible redeemable preferred shares"	101,097

The offering price of the Company's shares upon Listing has been used to estimate the fair value of the Preferred Share as at 30 June 2020.

The Group engaged a third party appraisal firm to support its determination of the fair value of Preferred Shares as of the dates of issuance and as of 30 June 2019. The discounted cash flow method was used to determine the underlying share value of Tianjin Loong/the Company and equity allocation model was adopted to determine the fair value of the Preferred Shares. Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	As at 30 June 2019	**As at the date of issuance of Series C-1 and C-2 Preferred Shares (4 March 2020)**
Discount rate	18.00%	17.00%
Risk-free interest rate	2.67%	0.75%
Volatility	49.19%	52.78%

Discount rate was estimated by weighted average cost of capital as of each valuation date. Risk-free interest rate was estimated based on the yield of China Government Bond with a maturity life equal to the expected terms for an exit event as of the valuation date of 30 June 2019 and based on the yield to maturity of Hongkong Exchange Fund Bills and Notes for valuation date of 4 March 2020 with a term close to the expected IPO date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of Preferred Shares on the valuation date.

12 OTHER NON-CURRENT LIABILITIES

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Redemption liability in relation to a put option granted to a shareholder *(Note (a))*	**166,038**	174,195

Note:

(a) On 24 August 2018, Beijing Loong and Perfect World Games entered into an equity transfer agreement, pursuant to which Perfect World Games agreed to transfer 4.49% equity interests in Tianjin Loong ("**Transferred Capitals**"), to Beijing Loong at a consideration of RMB157,150,000 ("**Transaction Price**"). After the closing of the transaction, the Transferred Capitals were held as capitals with a put option to be sold back to Tianjin Loong in the event that a QIPO shall fail to take place within the period of four years from the date of payment of the Transaction Price, at a price equivalent of the Transaction Price minus dividends received during the period the Transferred Capitals were held by Beijing Loong, plus an eight percent per annum simple interest, and any declared but unpaid dividends thereon ("**Redemption Price**"). Accordingly, the Group recognized such redemption liability at present value of the Redemption Price in the amount of RMB152,472,000. The difference between such amount and the fair value of the Transferred Capitals was treated as deemed capital contribution. The interests accrued on the redemption liability were recorded as finance costs. The dividend declared and paid to Beijing Loong in relation to the redemption liability was RMB14,929,000 in 2020.

On 10 March 2020, in relation to the completion of the Reorganization, the capitals with a put option issued by Tianjin Loong were replaced by the issuance of the ordinary shares of the Company with the same put option as that issued by Tianjin Loong. On 15 July 2020, upon the successful Listing of the Company, the redemption liability of the Company was derecognized.

13 TRADE AND OTHER PAYABLES

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Trade payables	**122,183**	84,831
Payroll liabilities	**31,786**	51,048
Tax payables	**9,006**	10,063
Listing expenses	**17,608**	4,717
Others	**12,247**	6,205
	192,830	156,864

The following table sets forth the carrying amount of trade payables by customer types:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Related parties	**27,514**	18,191
Third parties	**94,669**	66,640
	122,183	84,831

The aging analysis of trade payables based on recognition date is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 6 months	**63,897**	72,946
6 months to 1 year	**47,616**	10,269
Over 1 year	**10,670**	1,616
	122,183	84,831

DEFINITIONS

In this Results Announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Capitalization Issue"	the issue 497,959,184 Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information – A. Further information about our Group – 4. Resolutions in writing of the shareholders of our Company passed on June 24, 2020" in Appendix IV to the Prospectus
"China" or "PRC"	the People's Republic of China, which unless otherwise stated, for the purpose of this Results Announcement, excludes the Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 9990)
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Global Offering"	the initial public offering of the Shares for subscription by the public and the institutional, professional, corporate and other investors
"Group", "we" or "us"	the Company and all of its subsidiaries as defined in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

"Huai'an Loong"	Huai'an Loong Technology Co., Ltd* (淮安祖龍科技有限公司), a company established under the laws of the PRC with limited liability on 19 August 2016, and by virtue of certain contractual arrangements, accounted for as our subsidiary
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards
"Listing Date"	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 15 July 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"MMORPG"	massively multiplayer online role-playing game, a genre of games that combine role-playing games and massively multiplayer online games in which a large number of players interact with one another within a virtual world
"Model Code"	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"Perfect World Interactive"	Perfect World Interactive Entertainment Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability. Perfect World Interactive holds 16.99% of our Shares as at the date of this Results Announcement
"Prospectus"	the prospectus of the Company dated 30 June 2020
"Reporting Period"	the period for the six months ended 30 June 2020

"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme of our Company approved and adopted by the Board on 1 April 2020
"Series C-1 Preferred Share(s)"	has the meaning ascribed to it in Note 11 to the interim condensed consolidated financial information of this Results Announcement
"Share(s)"	ordinary share(s) of US$0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	for the purpose of this Results Announcement, has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and includes companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent

* *For identification purpose only*

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

Beijing, China, 28 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.