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## **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 2021**

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 2021 (the “**Results Announcement**”), as below.

The interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee and 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.

## FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June		Change %
	2021 RMB million (Unaudited)	2020 RMB million (Unaudited)	
<b>Revenue</b>	<b>553.8</b>	601.9	(8.0%)
Cost of revenue	<u>(112.7)</u>	<u>(148.5)</u>	<u>(24.1%)</u>
<b>Gross profit</b>	<b>441.1</b>	453.4	(2.7%)
Research and development expenses	<b>(337.3)</b>	(227.6)	48.2%
Selling and marketing expenses	<b>(159.8)</b>	(98.7)	61.9%
Administrative expenses	<b>(43.5)</b>	(84.8)	(48.7%)
Reversal of impairment losses on financial assets	<b>0.7</b>	3.5	(80.0%)
Other income	<b>4.4</b>	5.6	(21.4%)
Other gains, net	<b>6.7</b>	18.4	(63.6%)
<b>Operating (loss)/profit</b>	<b>(87.7)</b>	69.8	(225.6%)
Finance income	<b>12.4</b>	2.2	463.6%
Finance costs	<b>(4.4)</b>	(9.0)	(51.1%)
Finance income/(costs), net	<b>8.0</b>	(6.8)	(217.6%)
Fair value changes on convertible redeemable preferred shares	–	(856.9)	(100.0%)
Share of results of investments accounted for using the equity method	<b>(3.1)</b>	–	N/A
<b>Loss before income tax</b>	<b>(82.8)</b>	(793.9)	(89.6%)
Income tax (expense)/credit	<b>(3.0)</b>	6.7	(144.8%)
<b>Loss for the period</b>	<b><u>(85.8)</u></b>	<b><u>(787.2)</u></b>	<b><u>(89.1%)</u></b>
<b>Non-IFRS measure:</b>			
Adjusted net (loss)/profit <sup>(1)</sup>	<b><u>(47.1)</u></b>	<b><u>151.6</u></b>	<b><u>(131.1%)</u></b>

Note:

- (1) We define adjusted net (loss)/profit as loss 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 (if applicable). 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 of various genres with excellent online entertainment experience.

We are a pioneer in China's mobile game industry focusing on developing next-generation mobile MMOs, SLGs and other genres. We have proven capabilities in developing high-quality mobile games with excellent market reception.

We count on our industry-leading research and development capabilities as a driving force to propel us forward. We have established a new studio in Shanghai at the end of 2020, covering East China, to attract high-end research and development and publishing talents in game industry in the core city Shanghai and the peripheral regions of Jiangsu, Zhejiang and Anhui. At present, many core personnel have joined Shanghai studio, the projects are progressing steadily. A research and development layout of collaboration among Beijing headquarters, Shanghai research and development center, Chengdu and Changchun research and development bases has been formed.

On the self-publishing front, our publishing and operation team has continued to make progress with outstanding results. In February 2021, on the occasion of the first anniversary of Dragon Raja (龍族幻想) launching in Europe and the Americas, our major version updates, EVA collaboration and others were launched and highly recognized by players and the gross billings was stable in the long term.

Going forward, on the basis of continuously accumulating overseas publishing experience, we will actively develop and strategize a business system of conducting independent research and development and integrating research and operation in the vertical field.

## ***Our Existing Games***

We mainly focus on the development for mobile MMOs, SLGs and other genres, and offer a mature and selective portfolio of top-rated mobile games with excellent market reception globally. As of 30 June 2021, we had launched 16 high-quality mobile games with over 70 regional versions in 14 languages available in more than 170 regional markets.

Our existing games achieved a number of “firsts” in China’s mobile game industry: Under the Firmament (鴻圖之下) as the first mobile SLG developed by Unreal Engine 4 in China, Dragon Raja (龍族幻想) as China’s first next generation real 3D mobile MMORPG powered by Unreal Engine 4, Fantasy Zhuxian (夢幻誅仙) as one of the pioneering real 3D turn-based mobile MMORPGs and Loong Craft (六龍爭霸／六龍御天) as one of the first real 3D mobile MMORPG grand strategy wargames.

During the Reporting Period, we launched a new game in January 2021, The New World (夢想新大陸), which is the first turn-based mobile MMORPG developed by Unreal Engine 4. With the use of Unreal Engine 4, the game creates unique scenes including islands, forests and undersea views, deploying high-light direction modification technology to enable PBR (Physically-Based Rendering) lighting to have better performance in the turn-based aerial perspective. On the first day of launch, the game topped the Top Free Games Chart of the iOS App Store in mainland China.

Under the Firmament (鴻圖之下) as our first mobile SLG was launched and self-published by us in Japan and Southeast Asia region on 31 March 2021. It was recommended by iOS and Google and reached the top five on the Top Free Games Chart of the iOS App Store in Japan in the first week of launch. The game was launched on 14 April 2021 and topped the Top Free Games Chart of the iOS App Store in Hong Kong, Macao and Taiwan on the first day of launch. In addition, the game is expected to be self-published in South Korea, the Europe and the Americas within the year 2021.

## ***Our Game Pipeline***

To build up a diversified game portfolio across a wide range of genres, we published the first SLG, *Under the Firmament* (鴻圖之下), in October 2020, realizing a preliminary attempt in the SLG field. Some mobile games are expected to be launched globally in the second half of 2021 and during 2022, covering the genres of MMORPG, SLG and others.

The first closed trial of *Noah's Heart* (諾亞之心) has been officially commenced on 20 July 2021. This exploration mobile game which is based on the simulated planetary open world created by Unreal Engine 4 has not only drawn on the powerful performance and expressive power of Unreal Engine's technology in creating a unique seamless spherical continuous map for players, but has also broken through the traditional MMORPG professional restrictions, making game play changeable with greater freedom experience for players. Currently, the game is being further fine-tuned and is expected to be officially launched in 2021.

Project C is another mobile SLG launched for the global market following *Under the Firmament* (鴻圖之下). The game is derived from original IPs of Western fantasy themes, with a more prominent international style, and the American cartoon effects are adopted. All these factors make the game easier to learn and bring it to a wider audience. The game is scheduled for overseas trial in the second half of 2021. We will adopt a global self-publishing approach first abroad and then at home, and various pre-launch marketing campaigns and promotions are in full swing.

Project B is a mobile MMO developed from an international IP. At present, we have respectively formed a collaboration with the entertainment company of blockbusters with a box office record of the IP over US\$1.5 billion and Tencent in respect of the IP authorization and global publishing of the project. We believe the product will benefit from the combined advantages of "IP-R&D-Publishing" to become a game with international influence. At present, the game is expected to be publicized and tested in 2021, and to be published globally in 2022.

Project A is a female-oriented game, based on the technological improvements brought by Unreal Engine, the game has attained the top level on the mobile platform both in terms of on-screen precision and material texture complexity. Every fashion item in the game has undergone repeated polishing by the artists of Archosaur Games. In addition, there are various game plays for players such as plot deduction, cultivation and management. Publicity on the game is expected to start in the near future, and the game is expected to be self-published in mainland China in 2022.

As at 30 June 2021, the table below sets out certain information regarding our new games which are expected to be launched for the periods indicated, including title, genre, IP source, development stage, expected launch year and major markets.

<b>Title<sup>(1)</sup></b>	<b>Mobile game genre<sup>(1)</sup></b>	<b>IP source<sup>(1)</sup></b>	<b>Development stage as at 30 June 2021<sup>(1)</sup></b>	<b>Expected launch year<sup>(1)</sup></b>	<b>Major markets<sup>(1)</sup></b>
<b>2021</b>					
Noah's Heart (諾亞之心)	MMORPG	Original IP	Game Production	2021	Worldwide
Project C <sup>(2)</sup>	SLG	Original IP	Game Production	2021	Worldwide
<b>2022</b>					
Project B <sup>(2)</sup>	MMO	Licensed IP	Game Production	2022	Worldwide
Project A <sup>(2)(3)</sup>	Others	Original IP	Game Production	2022	Worldwide
Sango Heroes (三國群英傳)	SLG	Licensed IP	Game Proposal	2022	Worldwide
Project D <sup>(2)</sup>	MMORPG	— <sup>(2)</sup>	Game Proposal	2022	Worldwide

*Notes:*

- (1) The game pipeline is indicative as at 30 June 2021. The title, genre, expected launch year, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and pre-approval 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.

During the Reporting Period, we recorded revenue of RMB553.8 million, representing a decrease of 8.0% as compared with RMB601.9 million for the corresponding period in 2020, which was primarily attributable to the first SLG that was self-published outside mainland China during the Reporting Period. Compared with MMORPG games, SLG games require a longer growth stage to build up player base and achieve market coverage, during which the number of game players and gross billings are increased in a more gradual trend. In the future, with the expansion of our game genres from MMORPG to SLG and female-oriented game, and with a variety of styles, the global publishing of various genres of games, and the continuous improvement of our integrated mode of research and operation, the lifecycle of our games is expected to be further extended, which will make a more stable and sustainable contribution to the Group's revenue.

## ***Impact of COVID-19***

Since the worldwide outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been issued and continued to be implemented across China and other countries in the world.

The foremost priority for the Group is to provide our employees with a safe and healthy working environment during the COVID-19 pandemic, maintaining a firm grasp of all applicable obligations (whether mandated or voluntary). The Group has adopted precautionary measures including online meetings and work from home for our staff to minimize the risk of transmission of COVID-19.

Due to the nature of the gaming industry and benefiting from the Group'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.

## **Financial Review**

### **Revenue**

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

	<b>For the six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>RMB million</b>	<b>% of total</b>	<b>RMB million</b>	<b>% of total</b>
	<b>(Unaudited)</b>	<b>revenue</b>	<b>(Unaudited)</b>	<b>revenue</b>
Development and licensing	<b>312.0</b>	<b>56.3%</b>	291.0	48.3%
– Revenue share	<b>290.3</b>	<b>52.4%</b>	267.9	44.5%
– Non-refundable fixed licensing fees	<b>21.7</b>	<b>3.9%</b>	23.1	3.8%
Integrated game publishing and operation	<b>241.8</b>	<b>43.7%</b>	310.9	51.7%
<b>Total</b>	<b>553.8</b>	<b>100.0%</b>	601.9	100.0%

For the six months ended 30 June 2021, our revenue from development and licensing was RMB312.0 million, representing an increase of 7.2% from RMB291.0 million for the corresponding period in 2020, and our revenue from integrated game publishing and operation was RMB241.8 million, representing a decrease of 22.2% from RMB310.9 million for the corresponding period in 2020.

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

	<b>For the six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>RMB million (Unaudited)</b>	<b>% of total revenue</b>	<b>RMB million (Unaudited)</b>	<b>% of total revenue</b>
Domestic	<b>255.0</b>	<b>46.0%</b>	195.4	32.5%
Overseas	<b>298.8</b>	<b>54.0%</b>	406.5	67.5%
<b>Total</b>	<b><u>553.8</u></b>	<b><u>100.0%</u></b>	<b><u>601.9</u></b>	<b><u>100.0%</u></b>

For the six months ended 30 June 2021, our revenue generated from domestic market was RMB255.0 million, representing an increase of 30.5%, from RMB195.4 million for the corresponding period in 2020, and our revenue generated from markets outside mainland China was RMB298.8 million, representing a decrease of 26.5%, from RMB406.5 million for the corresponding period in 2020.

We are committed to developing mobile games of various genres in addition to MMORPG. During the Reporting Period, our first SLG mobile game was self-published mainly in Japan and Southeast Asia. Compared with MMORPG games, SLG games require a longer growth stage to build up player base and achieve market coverage, during which the number of game players and gross billings are increased in a more gradual trend.

### **Cost of Revenue**

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

	<b>For the six months ended 30 June</b>				
	<b>2021</b>		<b>2020</b>		
	<b>RMB million (Unaudited)</b>	<b>% of cost of revenue</b>	<b>RMB million (Unaudited)</b>	<b>% of cost of revenue</b>	<b>Change (%)</b>
Commissions charged by distribution channels and payment channels	<b>71.8</b>	<b>63.7%</b>	95.4	64.2%	(24.7%)
Revenue share to IP holders	<b>22.3</b>	<b>19.8%</b>	34.3	23.1%	(35.0%)
Bandwidth and servers custody fee	<b>8.5</b>	<b>7.5%</b>	9.8	6.6%	(13.3%)
Employee benefit expenses	<b>4.4</b>	<b>3.9%</b>	3.2	2.2%	37.5%
Depreciation and amortization charges	<b>3.4</b>	<b>3.0%</b>	3.9	2.6%	(12.8%)
Others	<b>2.3</b>	<b>2.1%</b>	1.9	1.3%	21.1%
<b>Total</b>	<b><u>112.7</u></b>	<b><u>100.0%</u></b>	<b><u>148.5</u></b>	<b><u>100.0%</u></b>	<b><u>(24.1%)</u></b>



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 decreased to RMB112.7 million for the six months ended 30 June 2021 as compared with RMB148.5 million for the corresponding period in 2020, which was mainly attributable to a decrease in commissions charged by distribution channels and payment channels and a decrease in revenue share to IP holders. The decline was in line with the decrease in the total revenue.

### **Gross Profit and Gross Profit Margin**

For the six months ended 30 June 2021, the gross profit of the Group decreased by 2.7% to RMB441.1 million as compared with RMB453.4 million for the corresponding period in 2020, maintaining a stable performance. The gross profit margin of the Group increased to 79.6% for the six months ended 30 June 2021 from 75.3% for the corresponding period in 2020, mainly attributable to the proportion of the revenue generated from development and licensing business and the proportion of the revenue generated from integrated game publishing and operation business was 56.3% and 43.7% for the six months ended 30 June 2021, as compared with 48.3% and 51.7% for the corresponding period in 2020. It represented that an increase in revenue generated from development and licensing business as a percentage to our total revenue, and generally the gross profit margin of development and licensing business was higher than integrated game publishing and operation 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 2021, our research and development expenses increased by 48.2% to RMB337.3 million as compared with RMB227.6 million for the corresponding period in 2020, mainly attributable to (i) the increase in employee benefit expenses, including share-based compensation expenses, and (ii) 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 2021, our selling and marketing expenses increased by 61.9% to RMB159.8 million as compared with RMB98.7 million for the corresponding period in 2020, mainly attributable to the increase in promotion and advertising expenses. During the Reporting Period, we published our first SLG mobile game in Japanese market, where the user acquisition cost is generally higher than other overseas market where we used to conduct self-publishing business.

### **Administrative Expenses**

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) utilities and office expenses and (iii) other professional consulting fees. For the six months ended 30 June 2021, our administrative expenses decreased by 48.7% to RMB43.5 million as compared with RMB84.8 million for the corresponding period in 2020, mainly attributable to the elimination of non-recurring expenses, i.e. share-based compensation costs arising from the re-designation of ordinary shares into Series C-1 Preferred Shares as defined in the Prospectus and listing expenses, compared with the corresponding period in 2020.

## **Other Income**

For the six months ended 30 June 2021, our other income decreased by 21.4% to RMB4.4 million as compared with RMB5.6 million for the corresponding period in 2020, due to a decrease in government grants.

## **Finance Income/(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 lease liabilities. For the six months ended 30 June 2021, our net finance income increased by 217.6% to RMB8.0 million as compared with net finance cost RMB6.8 million for the corresponding period in 2020, mainly attributable to (i) an increase in interest income from term deposit and (ii) the elimination of non-recurring expenses, i.e. interest expenses accrued from our redemption liability, compared with the corresponding period in 2020.

## **Other Gains, Net**

Our other gains primarily consisted of (i) gains on financial assets at fair value through profit or loss; and (ii) net foreign exchange (losses)/gains. For the six months ended 30 June 2021, our net other gains decreased by 63.6% to RMB6.7 million as compared with RMB18.4 million for the corresponding period in 2020, mainly attributable to the foreign exchange losses.

## **Income Tax (Expense)/Credit**

Our income tax (expense)/credit consisted of current income tax and deferred income tax. We had income tax expense of RMB3.0 million for the six months ended 30 June 2021 and tax credit of RMB6.7 million for the corresponding period in 2020. The income tax expense for the six months ended 30 June 2021 was primarily attributable to the reversal of deferred tax assets mainly due to a decrease in the deductible losses, which can be utilized against the future taxable income by certain subsidiaries, while the income tax credit for the corresponding period in 2020 was mainly attributable to the reversal made due to the change in the applicable tax rate as the uncertainties regarding the interpretation and implementation for criteria as a Software Enterprise was eliminated then.

## **Adjusted Net (Loss)/Profit**

The adjusted net loss for the six months ended 30 June 2021 amounted to RMB47.1 million as compared with adjusted net profit of RMB151.6 million for the corresponding period in 2020. Such loss was primarily attributable to (i) the increase in research and development expenses to satisfy the Group's business expansion needs, which was mainly brought by the increase in employee benefit expenses for employees engaging in research and development activities and outsourced technical services; and (ii) the increase in selling and marketing expenses, which was primarily brought by the increase in promotion and advertising expenses.

The Company believes that adjusted net loss for the six months ended 30 June 2021, as compared with loss for the six months ended 30 June 2020 as reported under the IFRS, can better reflect the underlying operating performance of the Group as well as facilitate period to period comparison. The use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended 30 June 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
<b>Reconciliation of loss for the period to adjusted net (loss)/profit for the period</b>		
<b>Loss for the period</b>	<b>(85.8)</b>	(787.2)
Add:		
Fair value changes on convertible redeemable preferred shares	–	856.9
Share-based compensation expenses	<b>38.7</b>	47.0
Interest expenses accrued from redemption liability	–	6.8
Listing expenses	–	28.1
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<b>Adjusted net (loss)/profit for the period</b>	<b>(47.1)</b>	<b>151.6</b>
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### **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 Group, and the net proceeds from the issuance of ordinary shares relating to the initial public offering, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present.

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

	<b>For the six months ended 30 June</b>		Change (%)
	<b>2021</b>	2020	
	<b>RMB million (Unaudited)</b>	RMB million (Unaudited)	
Net cash (used in)/generated from operating activities	<b>(75.6)</b>	277.9	(127.2%)
Net cash used in investing activities	<b>(389.3)</b>	(12.2)	3,091.0%
Net cash used in financing activities	<b>(20.4)</b>	(244.8)	(91.7%)
Net (decrease)/increase in cash and cash equivalents	<b>(485.3)</b>	20.9	(2,422.0%)
Cash and cash equivalents at the beginning of the period	<b>3,055.7</b>	728.3	(319.6%)
Exchange (losses)/gains on cash and cash equivalents	<b>(27.1)</b>	4.3	(730.2%)
Cash and cash equivalents at the end of the period	<b><u>2,543.3</u></b>	<b><u>753.5</u></b>	<b><u>237.5%</u></b>

### ***Operating Activities***

For the six months ended 30 June 2021, net cash used in operating activities was RMB75.6 million, compared with RMB277.9 million generated from operating activities for the corresponding period in 2020, representing a decrease of 127.2%. The decrease was mainly attributable to (i) an increase in cash used in game development and publishing activities and (ii) a decrease in the subsequent collection of trade receivables compared with the corresponding period in 2020.

### ***Investing Activities***

For the six months ended 30 June 2021, net cash used in investing activities was RMB389.3 million, compared with RMB12.2 million for the corresponding period in 2020, representing an increase of 3,091.0%. The increase was mainly attributable to investing in funds and upstream and downstream companies of the industry in the Reporting Period.

### ***Financing Activities***

For the six months ended 30 June 2021, net cash used in financing activities was RMB20.4 million, compared with RMB244.8 million for the corresponding period in 2020, representing a decrease of 91.7%. The decrease was mainly attributable to dividends declared in February 2020 and paid by Tianjin Loong to its then holders of the outstanding ordinary shares.

### **Gearing Ratio**

As at 30 June 2021, our gearing ratio, which is calculated as total debt divided by total assets, was 11.4%, as compared with 11.3% as at 31 December 2020.

## **Capital Expenditure**

Our capital expenditure comprised expenditures on purchases of intangible assets and purchases of property, plant and equipment. For the six months ended 30 June 2021 and 2020, total capital expenditure amounted to RMB51.4 million and RMB6.2 million respectively, representing an increase of 729.0%. The increase was mainly attributable to purchases of intangible assets and leasehold improvements during six months ended 30 June 2021.

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

As at 30 June 2021, 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 2021, there was no material acquisitions or disposal of subsidiaries, associates and joint ventures.

## **Charge on Assets**

As at 30 June 2021, no property, plant and equipment was pledged.

## **Contingent Liabilities**

As at 30 June 2021, we did not have any unrecorded significant contingent liabilities against us.

## **Employees and Remuneration Policies**

As at 30 June 2021, we employed approximately 1,300 full-time staff in total, approximately 85% of whom are research and development personnel. Substantially all of our employees are based in China, primarily at our headquarters in Beijing, with the remainder in Chengdu, Changchun and Shanghai. For the six months ended 30 June 2021, cost of employees' remuneration and benefit was approximately RMB297.7 million as compared with RMB209.1 million for the six months ended 30 June 2020.

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 and the Share Option Scheme on 1 April 2020 and 5 February 2021, respectively.

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 2021, most of transactions of the Group and our cash and cash equivalents were denominated in RMB, US\$ and HK\$. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. Save as disclosed in this Results Announcement, the Group has not incurred any significant foreign currency exchange losses in its operations for the six months ended 30 June 2021. 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 of the Company 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.

The below table sets forth the proposed and actual applications of the net proceeds from the Listing Date to 30 June 2021:

Use of net proceeds	Percentage	Net proceeds from the Global Offering (HK\$ million)	As at 30 June 2021		Expected timeline for utilizing the remaining net proceeds <sup>(1)</sup>
			Utilized amount (HK\$ million)	Unutilized amount (HK\$ million)	
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	556.2	387.3	2021.07 -2023.07
Expanding game publishing and operation business, particularly in markets outside of mainland China	20%	471.7	194.1	277.6	2021.07 -2023.07
Funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media, and telecom	20%	471.7	115.5	356.2	2021.07-2022.07
Expanding the IP reserve and enriching our content offerings	10%	235.8	24.4	211.4	2021.07-2022.07
Working capital and general corporate uses	10%	235.8	71.1	164.7	N/A
<b>Total</b>	<b>100%</b>	<b>2,358.5</b>	<b>961.3</b>	<b>1,397.2</b>	



*Note:*

- (1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to changes based on the current and future development of the market conditions.

Since the Listing Date and up to 30 June 2021, approximately HK\$961.3 million out of net proceeds from the Global Offering had been used. As at the date of this Results Announcement, there was no change in the intended use of net proceeds and the expected timeline 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 REPORTING PERIOD**

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**

The 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. During the six months ended 30 June 2021, the 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 the executive Director, chairman of the Board and the chief executive officer of the 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 the Group and has been instrumental to the Group’s growth and business expansion since the establishment of the Group. Since Mr. Li Qing is one of the key persons for our Group’s management, the 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 the Group and it is, on the contrary, beneficial to the management of the Group. In addition, the operation of the senior management of the Group and the Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Li Qing. The 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**

The 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 during the six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with 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 2021 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 2021, 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 declare any interim dividend for the six months ended 30 June 2021.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE**

This Results Announcement is published on the websites of the Company ([www.zulong.com](http://www.zulong.com)) and the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2021 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 2021**

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>Unaudited</b>	<b>Unaudited</b>
<b>Revenue</b>	4	<b>553,781</b>	601,945
Cost of revenue	6	<b>(112,643)</b>	(148,588)
<b>Gross profit</b>		<b>441,138</b>	453,357
Research and development expenses	6	<b>(337,346)</b>	(227,564)
Selling and marketing expenses	6	<b>(159,801)</b>	(98,656)
Administrative expenses	6	<b>(43,503)</b>	(84,849)
Reversal of impairment losses on financial assets	6	<b>711</b>	3,538
Other income		<b>4,449</b>	5,565
Other gains, net	5	<b>6,696</b>	18,383
<b>Operating (loss)/profit</b>		<b>(87,656)</b>	69,774
Finance income		<b>12,374</b>	2,217
Finance costs		<b>(4,381)</b>	(9,023)
Finance income/(costs), net		<b>7,993</b>	(6,806)
Fair value changes on convertible redeemable preferred shares		–	(856,843)
Share of results of investments accounted for using the equity method		<b>(3,096)</b>	–
<b>Loss before income tax</b>		<b>(82,759)</b>	(793,875)
Income tax (expense)/credit	7	<b>(3,076)</b>	6,676
<b>Loss for the period</b>		<b>(85,835)</b>	(787,199)
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(85,835)</b>	(787,199)
– Non-controlling interests		–	–
		<b>(85,835)</b>	(787,199)
<b>Loss per share attributable to owners of the Company for the period (in RMB/share)</b>	8		
– Basic		<b>(0.11)</b>	(2.46)
– Diluted		<b>(0.11)</b>	(2.46)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	<b>Six months ended 30 June</b>	
<i>Note</i>	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Loss for the period</b>	<u>(85,835)</u>	<u>(787,199)</u>
<b>Other comprehensive (loss)/income, net of tax:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(3,597)</u>	<u>1,610</u>
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	<b>(23,248)</b>	–
Fair value changes on convertible redeemable preferred shares due to own credit risk	<u>–</u>	<u>(1,873)</u>
<b>Total comprehensive loss for the period</b>	<b><u>(112,680)</u></b>	<b><u>(787,462)</u></b>
<b>Attributable to:</b>		
– Owners of the Company	<b>(112,680)</b>	<b>(787,462)</b>
– Non-controlling interests	<u>–</u>	<u>–</u>
	<b><u>(112,680)</u></b>	<b><u>(787,462)</u></b>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
*AS AT 30 JUNE 2021*

	<i>Note</i>	As at <b>30 June</b> <b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	As at 31 December 2020 <b>RMB'000</b> <b>(Audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>28,055</b>	18,413
Right-of-use assets		<b>153,348</b>	166,744
Intangible assets		<b>67,110</b>	37,990
Investments accounted for using the equity method		<b>68,378</b>	31,474
Prepayment, other receivables and other assets		<b>28,647</b>	24,509
Financial assets at fair value through profit or loss		<b>75,565</b>	5,000
Deferred tax assets		<b>10,848</b>	13,692
		<b>431,951</b>	297,822
<b>Current assets</b>			
Trade receivables	<i>10</i>	<b>313,993</b>	328,682
Prepayment, other receivables and other assets		<b>64,112</b>	39,955
Financial assets at fair value through profit or loss		<b>382,958</b>	201,039
Term deposits		<b>103,687</b>	78,627
Restricted cash		<b>29,871</b>	–
Cash and cash equivalents		<b>2,543,334</b>	3,055,711
		<b>3,437,955</b>	3,704,014
<b>Total assets</b>		<b>3,869,906</b>	4,001,836

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2021 (CONTINUED)**

	<i>Note</i>	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		55	55
Share premium		6,907,441	6,907,441
Other reserves		(1,782,198)	(1,794,051)
Accumulated losses		(1,698,214)	(1,564,160)
		<u>3,427,084</u>	<u>3,549,285</u>
<b>Non-controlling interests</b>		–	–
<b>Total equity</b>		<u><u>3,427,084</u></u>	<u><u>3,549,285</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		4,814	9,502
Lease liabilities		117,563	132,777
		<u>122,377</u>	<u>142,279</u>
<b>Current liabilities</b>			
Trade and other payables	11	217,565	206,417
Contract liabilities		58,865	65,249
Current income tax liabilities		7,814	6,540
Lease liabilities		36,201	32,066
		<u>320,445</u>	<u>310,272</u>
<b>Total liabilities</b>		<u><u>442,822</u></u>	<u><u>452,551</u></u>
<b>Total equity and liabilities</b>		<u><u>3,869,906</u></u>	<u><u>4,001,836</u></u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash (used in)/generated from operating activities	<b>(75,586)</b>	277,851
Net cash used in investing activities	<b>(389,287)</b>	(12,212)
Net cash used in financing activities	<b>(20,435)</b>	(244,778)
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(485,308)</b>	20,861
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the period	<b>3,055,711</b>	728,318
Exchange (losses)/gains on cash and cash equivalents	<b>(27,069)</b>	4,369
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>2,543,334</b>	753,548
	<hr/> <hr/>	<hr/> <hr/>

# 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**”).

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 July 2020 (“**Listing**”, “**IPO**”).

The interim condensed consolidated financial information for the six months ended 30 June 2021 are presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) unless otherwise indicated. The interim condensed consolidated financial information for the six months ended 30 June 2021 have been approved on 25 August 2021.

This interim condensed consolidated financial information for the six months ended 30 June 2021 has not been audited.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standards (“**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 consolidated financial statements for the year ended 31 December 2020 (the “**2020 Financial Statement**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the 2020 Financial Statement.

### (a) New and amended standards adopted by the Group

The Group has applied the following standard and amendment for the first time for their annual reporting period commencing 1 January 2021:

<b>Standards and amendments</b>	<b>Effective for annual periods beginning on or after</b>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021

In addition, the Group has early adopted Amendment to IFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020.

The adoption of the above amendments to IFRSs in the current period has had no material effect on the Group’s interim condensed consolidated financial information.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory in this interim condensed consolidated financial information and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

<b>Standards and amendments</b>	<b>Effective for annual periods beginning on or after</b>
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

### 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 30 June 2021 and 31 December 2020, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended 30 June 2021 and 2020 are as follows: the Group considered itself as an agent in arrangements of "development and licensing 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.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB '000</b>	<b>RMB '000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Online game revenue		
– Development and licensing		
<i>Revenue share</i>	<b>290,323</b>	267,874
<i>Non-refundable fixed licensing fees</i>	<b>21,687</b>	23,157
– Integrated game publishing and operation	<b>241,771</b>	310,914
	<b>553,781</b>	601,945
Online game revenue		
– Mobile Game	<b>553,781</b>	601,945
Timing of revenue recognition		
– At a point in time	<b>290,323</b>	267,874
– Over time	<b>263,458</b>	334,071
	<b>553,781</b>	601,945

#### 4 SEGMENT INFORMATION AND REVENUE (CONTINUED)

Revenues of approximately RMB312,011,000 and RMB290,774,000 for the six months ended 30 June 2021 and 2020, respectively were derived from five largest single external customers.

During the six months ended 30 June 2021, revenue of approximately RMB267,142,000 was derived from a single external customer 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Revenue segment by geography</b>		
Domestic	254,992	195,377
Overseas	298,789	406,568
	<u>553,781</u>	<u>601,945</u>

#### 5 OTHER GAINS, NET

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Gains on financial assets at fair value through profit or loss	7,558	8,939
Foreign exchange (losses)/gains, net	(1,646)	8,685
Others	784	759
	<u>6,696</u>	<u>18,383</u>



## 6 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Employee benefit expenses	297,783	209,043
Commissions charged by distribution channels and payment channels	71,796	95,398
Promotion and advertising expenses	136,842	85,138
Outsourced technical services	63,615	32,825
Revenue share to the IP holders	22,339	34,343
Depreciation and amortization charges	28,639	22,786
Listing expenses	–	28,120
Share-based compensation costs arising from the re-designation of ordinary shares into Series C-1 Preferred Shares	–	30,350
Bandwidth and servers custody fee	8,543	9,796
Utilities and office expenses	11,477	5,420
VAT input transfer out and tax surcharges	2,567	2,317
Other professional consulting fees	4,432	2,735
Travelling expenses	2,575	1,975
COVID-19-related rent concessions	–	(1,883)
Reversal of impairment of trade receivables	(711)	(3,538)
Others	2,685	1,294
	<u>652,582</u>	<u>556,119</u>

## 7 INCOME TAX (EXPENSE)/CREDIT

The income tax (expense)/credit of the Group for the six months ended 30 June 2021 and 2020 is analyzed as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Current income tax (expense)/credit	(232)	4,925
Deferred income tax	(2,844)	1,751
	<u>(3,076)</u>	<u>6,676</u>

## 7 INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

### (a) Cayman Islands and 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 2021 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 2021, 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**”) renewed its qualification as a “High and New Technology Enterprise” (“**HNTE**”) in 2020 and it is subject to a reduced preferential EIT rate of 15% for a three-year period from 2020 to 2022 according to the preferential tax treatment applicable to the HNTE.

Huai’ an Loong Technology Co., Ltd. (淮安祖龍科技有限公司) (“**Huai’ an Loong**”) qualified as a HNTE for a three-year period since 2018 and is renewing its qualification in 2021. The management expects that Huai’ an Loong will still be qualified as a HNTE for 2021. Therefore, Huai’ an Loong was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the six months ended 30 June 2021.

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards (“**Announcement No. 64 of 2018**”), enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits (“**Super Deduction**”) Under the Announcement No. 13 of 2021 issued by Ministry of Finance and State Administration of Taxation in March 2021, the policy of Super Deduction is extended. Several PRC subsidiaries of the Group have claimed such Super Deduction in ascertaining its tax assessable profits/(losses) for the six months ended 30 June 2021 and 2020.

## 8 LOSS PER SHARE

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2020 has been retrospectively adjusted for the capitalization issue triggered by IPO.

### (a) Basic

Basic loss per share is calculated by dividing the Group's loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(85,835)	(787,199)
Weighted average number of ordinary shares in issue (in thousands)	<u>786,110</u>	<u>320,267</u>
Basic loss per share (in RMB/share)	<u><u>(0.11)</u></u>	<u><u>(2.46)</u></u>

### (b) Diluted

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.

For the six months ended 30 June 2021, the Company has two categories of dilutive potential ordinary shares: the restricted share unit (“RSU”) and the share options (“Share Option”).

For the six months ended 30 June 2020, the Company has two categories of dilutive potential ordinary shares: preferred shares (including convertible redeemable preferred shares and redemption liability) and the RSUs.

For the purpose of calculating diluted loss per share for the six months ended 30 June 2020, the preferred shares are assumed to have been converted into ordinary shares with a consequential reduction in net loss attributable to ordinary shareholders for the six months ended 30 June 2020 resulting from adding back the loss from the change in fair value of the convertible redeemable preferred shares and interest expenses on redemption liability. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2020.

For the purpose of calculating diluted loss per share for six months ended 30 June 2021 and 2020, RSUs and Share Options are assumed to have been converted into ordinary shares with no corresponding change in net loss attributable to ordinary shareholders. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2021 and 2020.

## 9 DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Declared a final dividend for the year ended 31 December 2020 of HK\$7.4 cents (2019: Nil) per ordinary share ( <i>Note (a)</i> )	<b>50,022</b>	–
Less: Dividend for shares held for the restricted share unit scheme (“ <b>RSU Scheme</b> ”)	<b>(1,803)</b>	–
Dividends declared in February 2020 and paid by Tianjin Loong to its then holders of outstanding ordinary shares	–	211,171
	<b>48,219</b>	211,171

### *Note:*

- (a) The final dividend of HK\$7.4 cents per share (tax inclusive) for the year ended 31 December 2020, totalling HK\$60,347,740 was approved in the Company’s annual general meeting held on 18 June 2021 and was paid on 18 August 2021.

The Company did not declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

## 10 TRADE RECEIVABLES

	<b>As at 30 June 2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	<b>318,549</b>	333,949
Less: allowance for impairment of trade receivables	<b>(4,556)</b>	(5,267)
Trade receivables – net	<b>313,993</b>	328,682

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

	<b>As at 30 June 2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Related parties	<b>226,714</b>	239,713
Third parties	<b>91,835</b>	94,236
	<b>318,549</b>	333,949

## 10 TRADE RECEIVABLES (CONTINUED)

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
RMB	206,827	208,635
United States Dollar ("U.S. dollars", "US\$")	100,710	115,486
Hong Kong Dollar ("HK\$")	11,012	9,828
	<u>318,549</u>	<u>333,949</u>

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 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Up to 3 months	181,109	227,624
3 to 6 months	123,025	62,097
6 months to 1 year	14,365	44,111
Over 1 year	50	117
	<u>318,549</u>	<u>333,949</u>

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At beginning of the period	(5,267)	(7,337)
Provision for impairment	(405)	(397)
Reversal of impairment	1,116	3,935
	<u>(4,556)</u>	<u>(3,799)</u>

The creation and release of provision for impaired receivables have been included in "Reversal of impairment losses on financial assets" in the consolidated statement of profit or loss.

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

## 11 TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	124,550	95,696
Payroll liabilities	28,707	80,852
Tax payables	6,268	14,187
Asset procurement	5,833	6,667
Dividend payable ( <i>Note 9</i> )	48,219	–
Others	3,988	9,015
	<u>217,565</u>	<u>206,417</u>

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Related parties	29,151	20,392
Third parties	95,399	75,304
	<u>124,550</u>	<u>95,696</u>

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Up to 6 months	49,857	38,366
6 months to 1 year	21,361	29,670
Over 1 year	53,332	27,660
	<u>124,550</u>	<u>95,696</u>

## 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
“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 Macao 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
“EVA”	EVANGELION, a Japanese mecha anime television series
“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 and companies whose financial results have been consolidated and accounted for 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)
“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”	listing of the Shares on the Main Board of the Stock Exchange
“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)

“Macao”	the Macao Special Administrative Region of the PRC
“MMO”	massively multiplayer online game, a genre of online video games in which a player interacts with a large number of other players
“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
“Prospectus”	the prospectus of the Company dated 30 June 2020
“Reporting Period”	the period for the six months ended 30 June 2021
“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
“Share Option Scheme”	the share option scheme in its present form or as may be amended from time to time which was adopted by the Company on 5 February 2021
“Share(s)”	ordinary share(s) of US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SLG”	simulation games, which are generally designed to closely simulate aspects of a real or fictional reality
“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 for as the subsidiaries of our Company by virtue of certain contractual arrangements
“Tencent”	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be and holds 16.88% of our Shares as of the date of this Results Announcement



“Tianjin Loong”	Tianjin Loong Technology Co., Ltd* (祖龍(天津)科技股份有限公司), a Company established under the laws of the PRC with limited liability on 15 April 2015, and by virtue of some contractual arrangements, accounted for as our subsidiary
“Unreal Engine”	game engines developed by Epic Games
“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, 25 August 2021

*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. Lu Xiaoyin as Non-executive Directors, and Mr. Ge Xuan, Mr. Zhu Lin and Mr. Ding Zhiping as Independent Non-executive Directors.*