ARCHOSAUR GAMES INC.
祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

PROFIT WARNING IN RESPECT OF THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

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

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on its preliminary assessment of the Company's unaudited consolidated management accounts for the year ended 31 December 2021 (the "**Period**") and information currently available, the Company is expected to report an adjusted net loss for the Period in the range of approximately RMB220.0 million to RMB240.0 million, while it recorded the adjusted net profit of approximately RMB218.8 million for the year ended 31 December 2020 (the "**Comparable Period**"). The aforementioned loss was primarily attributable to the following factors:

(i) the decrease in revenue due to the fact that:

(a) Noah's Heart (諾亞之心) and Project Code: Sigmar were not launched in 2021 as scheduled because the Group made a strategic decision to invest additional research and development time and resources for fine-tuning in the two games in order to further improve game quality and player experience after taking into account of comprehensive factors such as the market; and

(b) a new game published in mainland China did not perform as well as expected;

(ii) the increase in research and development expenses to satisfy the Group's business expansion needs, which was mainly brought by the increase in the number of research and development personnel and corresponding increase in employee benefit expenses for employees engaging in research and development activities and the increase in outsourced technical services; and

(iii) the increase in selling and marketing expenses, which was mainly brought by the increase in promotion and advertising expenses and the increase in employee benefit expenses for employees engaging in publishing activities because the simulation game ("**SLG**") product, mainly self-published by the Group and launched successively in several countries and regions in mid-2021, was in the main investment and growth stage during 2021.

The Company attaches great importance to long-term value investment, and the increase in research and development expenses and selling and marketing expenses is a specific measure to implement the key development strategy of the Company which is development of top-quality games of multiple genres, globalization and integration of research and operation. The Company believes that, after adjustment and exploration in 2021 and relying on its strong technical advantages, international expansion, further improvement of the integrated mode of research and operation and rich game pipeline, the Group is expected to enter a new track of enterprise development and value creation in the future.

Adjusted net loss for the Period was calculated excluding of share-based compensation expenses which is non-cash in nature. For details of the methodology and calculation of the adjusted net profit for the Comparable Period, please refer to the announcement of the Company dated 12 August 2020. The Company believes that expected adjusted net loss for the Period disclosed in this announcement, as compared with loss for the Period as reported under International Financial Reporting Standards (the "**IFRS**"), can better reflect the underlying operating performance of the Group as well as facilitate year to year comparison.

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

The presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure stated in this announcement has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's operating results or financial condition as reported under IFRS. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company and read the annual results announcement of the Company for the Period carefully when it is published by the end of March 2022 in compliance with the Listing Rules.

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

Beijing, China, 11 March 2022

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. Bai Kun, Mr. Zhu Lin and Mr. Ding Zhiping as Independent Non-executive Directors.