

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

ARCHOSAUR GAMES INC.

祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

CONTINUING CONNECTED TRANSACTION EXCLUSIVE AGENCY AND OPERATION AGREEMENT

THE EXCLUSIVE AGENCY AND OPERATION AGREEMENT

The Board is pleased to announce that, on 26 August 2022, the Agents, wholly-owned subsidiaries of the Group, and the Licensors entered into the Exclusive Agency and Operation Agreement. Pursuant to the Exclusive Agency and Operation Agreement, the Licensors have agreed to grant to the Agents an exclusive and non-transferable right to advertise, promote and operate the Licensed Game in South Korea.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent is a substantial shareholder of the Company holding approximately 17.03% of the total issued shares of the Company through its wholly-owned subsidiaries, and the Licensors are entities controlled by Tencent. Therefore, each of the Licensors is a connected person of the Company, and the Exclusive Agency and Operation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the transactions under the Exclusive Agency and Operation Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

THE EXCLUSIVE AGENCY AND OPERATION AGREEMENT

The Board is pleased to announce that, on 26 August 2022, the Agents, wholly-owned subsidiaries of the Group, and the Licensors entered into the Exclusive Agency and Operation Agreement. Pursuant to the Exclusive Agency and Operation Agreement, the Licensors have agreed to grant to the Agents an exclusive and non-transferable right to advertise, promote and operate the Licensed Game in South Korea.

Principal Terms of the Exclusive Agency and Operation Agreement

Principal terms of the Exclusive Agency and Operation Agreement are set out as follows:

Date	:	26 August 2022
Parties	:	(1) Tencent Shanghai and Shenzhen Tencent Tianyou (as licensors); and (2) Famous Heart and Famous Game (as agents)
Term	:	Three years commencing from 26 August 2022 and ending on 25 August 2025
Territory	:	South Korea
Subject matter	:	Pursuant to the Exclusive Agency and Operation Agreement, the Licensors have agreed to grant to the Agents an exclusive and non-transferable right to advertise, promote and operate the Licensed Game in South Korea.
Fee arrangements and settlement terms	:	The fee under the Exclusive Agency and Operation Agreement payable by the Agents to the Licensors shall comprise (i) a fixed licensing fee of US\$200,000 (tax included) to be paid within 30 calendar days after the Exclusive Agency and Operation Agreement becomes effective and receiving the invoice from the Licensors; (ii) a fixed rate of share of the Total Revenue after deducting the Bad Debt and the Reasonable Deductible Amount to be paid and settled from the date of official open test of the Licensed Game after reconciliation on a monthly basis.

Historical Figure

There was no historical figure under the Exclusive Agency and Operation Agreement.

Annual Caps and Basis of Determination

The proposed annual caps for the fee under the Exclusive Agency and Operation Agreement payable by the Agents to the Licensors for the term of the Exclusive Agency and Operation Agreement are set out as follows:

Period	Proposed annual cap for the corresponding period (RMB)
From 26 August 2022 to 31 December 2022	9,400,000
From 1 January 2023 to 31 December 2023	19,500,000
From 1 January 2024 to 31 December 2024	13,800,000
From 1 January 2025 to 25 August 2025	9,800,000

The above proposed annual caps were determined after taking into account, among others:

- (a) the payment terms of the fee payable under the Exclusive Agency and Operation Agreement, including fixed licensing fee and share of revenue;
- (b) the expected date of the official open test of the Licensed Game;
- (c) the projected demand for the Licensed Game in South Korea; and
- (d) the revenue sharing arrangement and prevailing licensing fees payable by the Group to the independent third parties in respect of exclusive agency and operation agreement for similar and comparable games in the market.

Internal Control Measures

The Company has adopted the following internal control measures to ensure that the terms of the transactions under the Exclusive Agency and Operation Agreement are fair and reasonable and in compliance with the annual caps of the transactions under the Exclusive Agency and Operation Agreement:

- (i) The finance department of the Company, which is responsible for overseeing the connected transactions of the Group, will regularly monitor and collect detailed information on the connected transactions, including but not limited to the payment arrangements and the actual transaction amounts, to ensure that the continuing connected transactions are conducted in accordance with the Exclusive Agency and Operation Agreement. In addition, the finance department of the Company is responsible for monitoring and reviewing the balance of annual caps of the continuing connected transactions on a monthly basis. If the annual caps for the continuing connected transactions are expected to be exceeded in a particular year, the finance department of the Company will report to the management of the Company and take appropriate actions in accordance with the relevant requirements of the Listing Rules.

- (ii) The senior management of the Company is responsible for overseeing and monitoring the internal control procedures adopted by the Group to ensure that the actual transaction amounts fall within the relevant annual caps. The senior management of the Company also monitors the utilization of the annual caps on an annual basis.
- (iii) The external auditors of the Company will review the continuing connected transactions under the Exclusive Agency and Operation Agreement on an annual basis to check and confirm, among other things, whether the relevant annual caps have been exceeded.
- (iv) The independent non-executive Directors and the risk management committee of the Company will review the continuing connected transactions under the Exclusive Agency and Operation Agreement on an annual basis to check and confirm whether the continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal or better commercial terms and on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole in accordance with the Exclusive Agency and Operation Agreement.

Reasons for and Benefits of the Exclusive Agency and Operation Agreement

As a pioneer in China's mobile game industry focusing on developing mobile MMORPGs, SLGs, female-oriented games and other genres, the Group has also been making progress in game publishing and operation with remarkable results. The Group has established a self-publishing team with rich experience. In particular, the team responsible for game publishing in South Korea is a team of high expertise and name recognition in the industry, with proven record in a number of successful publishing in the South Korean region. The Directors consider that cooperation with Tencent on the operation of the Licensed Game in South Korea would be an important impetus for the Group to deepen its expansion into the South Korean and even overseas markets. The Directors also believe that engaging in the operation of the Licensed Game in South Korea is in line with the Group's globalized layout and will further consolidate and strengthen the Group's advantages in South Korea markets.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Exclusive Agency and Operation Agreement were determined after arm's length negotiation and are fair and reasonable, and the transactions contemplated thereunder (including the proposed annual caps for the corresponding periods within the term of the Exclusive Agency and Operation Agreement) are conducted in the ordinary and usual business of the Company, are on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Ms. Liu Ming, a non-executive Director, is an employee of Tencent Group and therefore has abstained from voting on the relevant Board resolutions approving the Exclusive Agency and Operation Agreement. Save as disclosed above, none of the other Directors has or is considered to have material interests in the transactions contemplated under the Exclusive Agency and Operation Agreement.

INFORMATION ON THE PARTIES

The Group is a pioneer in China's mobile game industry with more than twenty years of research and development experience focusing on developing high-quality mobile MMORPGs, SLGs, and other genres. Each of Famous Heart and Famous Game is a wholly-owned subsidiary of the Company and is principally engaged in overseas mobile game operation.

Tencent through its subsidiaries, principally provides value-added services, online advertising and FinTech and business services to users mainly in the PRC. Each of Tencent Shanghai and Shenzhen Tencent Tianyou is an entity controlled by Tencent and is principally engaged in provision of value-added services in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent is a substantial shareholder of the Company holding approximately 17.03% of the total issued shares of the Company through its wholly-owned subsidiaries, and Tencent Shanghai and Shenzhen Tencent Tianyou are entities controlled by Tencent. Therefore, each of Tencent Shanghai and Shenzhen Tencent Tianyou is a connected person of the Company, and the Exclusive Agency and Operation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the transactions under the Exclusive Agency and Operation Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agents”	Famous Game and Famous Heart
“Archosaur Entertainment”	Archosaur Entertainment Limited, a BVI business company incorporated under the laws of the BVI with limited liability and is wholly-owned by the Company
“Bad Debt”	refunds and other unrecoverable amount or repayment which is extremely unlikely arising from applications for refunds or non-payment etc. that occur when game users use credit cards, top-up cards and other payment methods to pay for the services of the Licensed Game
“Board”	the board of directors of the Company

“China” or “PRC”	the People’s Republic of China
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exclusive Agency and Operation Agreement”	the Exclusive Agency and Operation Agreement dated 26 August 2022 entered into between the Agents and the Licensors with respect to the grant of an exclusive and non-transferable right to advertise, promote and operate the Licensed Game in South Korea to the Agents by the Licensors
“Famous Game”	Famous Game Company Limited (名遊有限公司), a limited company incorporated under the laws of Hong Kong and wholly-owned by Archosaur Entertainment
“Famous Heart”	Famous Heart Limited (名心有限公司), a limited company incorporated under the laws of Hong Kong and wholly-owned by Archosaur Entertainment
“Group”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Licensed Game”	the Korean version of a mobile game named 亂世王者
“Licensors”	Tencent Shanghai and Shenzhen Tencent Tianyou
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

“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
“Reasonable Deductible Amount”	amount that can be reasonably deducted in the process of settlement of the revenue share, including online activity rewards, customer service compensation or refunds, test points, etc.
“RMB”	Renminbi, legal currency of the PRC
“Shareholders”	holder(s) of share(s) of the Company
“Shenzhen Tencent Tianyou”	Shenzhen Tencent Tianyou Technology Company Limited (深圳市騰訊天遊科技有限公司), a company established in the PRC with limited liability
“SLG”	simulation games, a genre of games that attempt to emulate various activities from real life in the game format
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited, an exempted company 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)
“Tencent Group”	Tencent and its subsidiaries from time to time
“Tencent Shanghai”	Tencent Technology (Shanghai) Company Limited (騰訊科技(上海)有限公司), a company established in the PRC with limited liability

“Total Revenue” all the revenue obtained after the official open test of the Licensed Game, including but not limited to the sale of virtual game currencies, game point cards, virtual item sales, virtual image sales etc. and service fees paid by users for allowing them to conduct online game activities, but taxes related to overseas sales arising from the above fees and other government charges confirmed by both parties shall be deducted first

“%” per cent

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

Beijing, China, 26 August 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.