

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Archosaur Games Inc. (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (the “**Results Announcement**”). The results have been audited by PricewaterhouseCoopers, the Company’s auditor, in accordance with International Standards on Auditing.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	Change
	(RMB million)	(RMB million)	%
Revenue	584.1	920.8	(36.6%)
Cost of revenue	<u>(160.5)</u>	<u>(207.3)</u>	<u>(22.6%)</u>
Gross profit	423.6	713.5	(40.6%)
Research and development expenses	(746.3)	(705.6)	5.8%
Selling and marketing expenses	(280.6)	(247.2)	13.5%
Administrative expenses	(108.2)	(97.9)	10.5%
Net (allowance)/reversal for impairment on financial assets	(0.2)	2.9	(106.9%)
Other income	3.9	6.7	(41.8%)
Other (losses)/gains, net	<u>(63.6)</u>	<u>38.2</u>	<u>(266.5%)</u>
Operating loss	(771.4)	(289.4)	166.6%
Finance income	23.5	22.1	6.3%
Finance costs	<u>(6.4)</u>	<u>(10.5)</u>	<u>(39.0%)</u>
Finance income, net	17.1	11.6	47.4%
Share of results of investments accounted for using the equity method	<u>(13.5)</u>	<u>(10.0)</u>	<u>35.0%</u>
Loss before income tax	(767.8)	(287.8)	166.8%
Income tax expense	<u>(0.7)</u>	<u>(15.5)</u>	<u>(95.5%)</u>
Loss for the year	<u>(768.5)</u>	<u>(303.3)</u>	<u>153.4%</u>
Non-IFRS measure:			
Adjusted net loss ⁽¹⁾	<u>(731.9)</u>	<u>(237.7)</u>	<u>207.9%</u>

Note:

- (1) We define adjusted net loss as loss for the year adjusted by adding back share-based compensation expenses. We eliminate the impact of the item that our management does not consider it to be indicative of our operating performance as it is non-cash in nature.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2022.

Whole-Year Review and Outlook

Archosaur Games is a leading mobile gaming company in China with more than twenty years of research and development experience. We hold the vision of being 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. As at 31 December 2022, we have launched 19 mobile games with a number of regional versions available in more than 170 regional markets in 14 languages. Our product matrix currently includes MMORPG, SLG, female-oriented, shooting, strategy card and other genres.

2022 was a year full of setbacks and changes. In the post-COVID-19 era, the global economy was slowly recovering whereas the digital economy showed a prominent development trend. Taking into account the influence of the market and other multiple factors, the pace of R&D and launch of some of our games have been optimized and adjusted. In addition, the performance of a product we launched in the first half of the year did not live up to our expectations. All these would have a certain impact on the Group’s financial performance in the short term. However, such challenges and short-term impacts will never alter our long-term ideals and goals. On the contrary, they allow us to further conduct in-depth research on the basis of giving full play to our valuable experience accumulated in terms of game development, operation and iterative upgrades and other aspects so that we can more accurately grasp the preferences of users in the face of an ever-changing market demand and maintain a leading position in the fierce industry competition. We will continue to conduct research intensively relying on our strong technical advantages; we will be insistently committed to the “going out” international expansion; and we will make steady improvement by grasping the organic structure integrating R&D and operation. We believe that, in the ever-changing domestic and foreign markets and the ever-improving industry upgrades going forward, Archosaur Games will stick to our beliefs and seize opportunities, unleashing even greater potential for development, and creating more values that are welcomed by people.

Upholding integrity and innovation in the implementation of the strategy of high-quality products

Integrity is to keep doing the right thing, and innovation is to break through oneself. Upholding integrity and innovation have been the essence and core of our continuous pursuit of high-quality games. Archosaur Games continues to develop high-quality games with a resolute attitude, and with great sincerity. Life Makeover (以閃亮之名) was launched in 2022, which is an ultra-free fashionable female-oriented mobile game developed by the Company with its new generation of female production and planning team as the core. Not only does it have a model with over 100,000 precision, but it is also the first attempt to introduce Unreal Engine 4 into a female-oriented game. It also maximizes the realism of the picture quality using the SSS algorithm. At the same time, the game has achieved innovative gameplay, setting up a “face pinching” system, a “dress-up” gameplay, a “homeland” system, etc. Since its overseas launch in July 2022, Life Makeover (以閃亮之名) has received a high degree of market attention and player recognition. On the first day of its launch in Hong Kong, Macao, Taiwan, Singapore and Malaysia, the game topped on the Top Free Games Chart of the iOS App Store in these five countries and regions, and ranked first on

the Google Play Top Games Chart in Hong Kong, Macao and Taiwan. The game was ranked in the two, three and four of the Bestsellers Games Chart of the iOS App Store within a month of its launch in Hong Kong, Macao and Taiwan. The game topped the Bestsellers Games Chart of the iOS App Store respectively in Hong Kong and Taiwan on the day after the launch of its version update in September 2022, and was ranked third, top and second on the Bestsellers Games Chart of the iOS App Store respectively in Hong Kong, Macao and Taiwan upon its version update in February 2023. Launched in Japan in December 2022, the game topped the Top Free Games Chart of the iOS App Store in Japan on the first day of launch, becoming one of the most eye-catching Chinese games in the Japanese mobile game market at the end of 2022.

Currently, Life Makeover (以閃亮之名) has obtained the dual-terminal game publication numbers for mobile and PC games in mainland China in early 2023. The layout of the dual-terminal game publication numbers also indicates that we will expand this game on multiple platforms including the PC. We believe that, with the development and unlocking of more gameplays and the opening up of more platform channels, the game is bound to explode in a more surprising way. From World of Kings (萬王之王3D), Dragon Raja (龍族幻想) to Life Makeover (以閃亮之名), we continue to roll out new high-quality games. While the product matrix is constantly enriched, the value of our original IPs has also been iteratively improved.

Promoting the combination and expansion of genres in the exploration of three-dimensional multiple-platform development

Our continuous deep-plowing in MMORPG over the years has allowed us to accumulate solid and valuable experience. While devoting ourselves to the development and operation of this game genre, we are also actively exploring product upgrades and expansion on the basis of giving full play to the advantages of our R&D strength in MMORPG. Promoting the organic combination of other mainstream genres with MMORPG is one of the directions we aim at in the future. In 2023, we expect to launch Avatar: Reckoning, a revolutionary product with top-level IP combining MMORPG and shooting. The release of this product also means that we have made a foray into the track of multiplayer online shooting game genre leveraging our advantages in traditional MMORPG. According to statistics from the Internet Movie Database (IMDb), both the film Avatar and its sequel Avatar: The Way of Water have recorded a global box-office revenue exceeding US\$2 billion, ranking among the top box-office records in film history. This game not only fully embodies the essence of the two Avatar films, but also uses Unreal Engine 4 to sculpt details such as the environment, weather, animals and plants, perfectly presenting the colorful Avatar world in the form of a game in front of players. By now, the game's third overseas test has been completed. With "Avatar" being the word's top-notch IP, Archosaur Games equipped with top-notch research and development capabilities on mobile platform game, and Tencent possessing the top-notch publishing capabilities on mobile platform game, the absolute advantages of the integrated "IP-R&D-Publishing" are expected to be fully displayed and reflected in this product. Starting with Avatar: Reckoning, we will continue to deepen genre innovation according to market demand, and launch products combining MMORPG, action, shooting and other elements. It is expected that these innovative game products will meet with players one after another in the near future.

In terms of broadening new tracks, in addition to the strong breakthrough of Life Makeover (以閃亮之名) in the female-oriented game market, we will continue to deep plow other genres such as SLG and strategy cards and explore the diversified expansion of genres. Following our first SLG product Under the Firmament (鴻圖之下), another SLG product Sango Heroes (三國群英傳) developed by us using well-known IP has also entered the game testing stage. There is also a strategy card game (Project E) adapted and developed based on the Dragon Raja (龍族) series of novel and animation, a well-known IP, which is planned to be launched later. The iteration and launch of multiple genres and products have reflected Archosaur Games' strong capabilities in the R&D and publishing of games, and the abundant product reserves have also highlighted our broadening of product tracks and continuous innovation, committed to the pursuit of and belief in high-quality game product matrix across multiple fields.

Multiple-platform expansion on the PC side and the host side is also one of the directions we are exploring. In future game projects, taking into account the genre characteristics of the game itself, proactive attempts will be made to carry out synchronous multiple-platform development and operation for products with multi-platform development potential such as the action and shooting genres. We firmly believe that the horizontally expanded product tracks coupled with the vertically opened up multiple-platform operations will definitely produce geometric effects and turn into a steady stream of driving power to boost the long-term development of Archosaur Games.

Adhering to the globalized strategy with a focus on China and a global perspective

The globalized strategic layout is an important direction of Archosaur Games for development. In terms of product layout, taking the “feasibility for global publishing” as the premise of project initiation, we lay the fundamentals for global promotion as early as the product incubation stage to ensure that the product is player-friendly worldwide. In terms of publishing models, through years of continuous output of high-quality products on different tracks, we continue to learn from experience and absorb nourishment from game operations and market feedback in various countries, conduct in-depth analysis and research on players and users in different regional markets, and optimize and upgrade game versions according to the characteristics of different users in each region, so as to build a more targeted product promotion strategy and publishing model with user needs as the core. The early-bird release of Life Makeover (以閃亮之名) in the overseas market and its excellent market performance are a full reflection of the great importance we attach to the globalized strategy as well as a demonstration of the strong strength of Archosaur Games in the overseas market. In addition, the top IP products that we cooperate with world-renowned developers have enhanced Archosaur Games’ influence on a global scale. The smooth progress of the Avatar mobile game project Avatar: Reckoning symbolizes that Archosaur Games has won the recognition of world-renowned developers on high-quality R&D and operation, and a firm confidence has also been established for us in further developing overseas markets.

We have strong advantages in Hong Kong, Macao, Taiwan, Southeast Asia and other Asian regions. In 2022, we have achieved strong expansion in the Japanese and South Korean markets. The continuous polishing, continuous attraction of outstanding talents and continuous roll-out of game products by the South Korean and Japanese publishing teams all reflect our determination to develop these markets in the long-term. In the European and American markets with high paying users, we have also achieved outstanding results and have occupied a stable and considerable market share in these regions through diversified products and customized strategies. Going forward, we will adopt a more open attitude in making full use of the different advantages of the two models of self-publishing and entrusted publishing based on the product, determining the optimal publishing model by choosing either one or a combination of both, so as to develop the product market and expand the brand influence.

In the face of risks recurring from time to time in the game industry in various countries, one of the motivations for us to unswervingly implement the globalized strategy is to further develop overseas markets and make a comprehensive layout in multiple regional markets in order to avoid unstable factors in a single market. We believe that the value of our prospective layout and continuous expansion in overseas markets as well as the strong competitive advantages accumulated based on this, will gradually emerge in the future.

Promoting iterative personnel upgrading to achieve improvement in team strength and product quality

As at 31 December 2022, the total number of full-time staff was approximately 1,200, of which the staff in the research and development center and the staff in the publishing and operation center accounted for approximately 78% and approximately 12% of the total respectively. In 2022, the Company's overall personnel structure continued to undergo iterative upgrading. While committed to cost reduction and efficiency increase, we have absorbed high-calibre talents in the industry and explore cost-effective potential talents with an open attitude, and at the same time provide employees with competitive salary and incentives. By encouraging innovation, opening up professional development channels and other means, we have been able to attract and retain talents, cultivating employees to upgrade from "human" resources to "talent" resources, and guiding employees to realize their own value while helping the enterprise develop, thus a strong cohesive force has taken shape internally to form a united and enterprising corporate culture.

On the other hand, adhering to the employment philosophy of "using people according to their expertise and sharing tasks according to people's abilities", Archosaur Games comprehensively evaluates the capabilities of R&D, publishing and other teams at the group level, and allocates talents with relevant advantages for different regions and product genres, so that the staff potential can be fully tapped and that products in various regions and genres can receive maximum professional support at a reasonable cost, thus achieving two-way improvement in efficiency and effectiveness on the basis of stimulating the potential of employees and mobilizing their enthusiasm. In addition, we will continue to polish internal teams by continuously launching game products in multiple regions and tracks, promoting the continuous improvement of game product quality while enhancing personnel strength.

Keeping pace with the development trend and staying at the forefront of technological innovation to drive product experience upgrades and wall-breaking development

Continuous breakthrough and innovation and continuous improvement and exploration in the technology field are our consistent persistence as well as the core factor for us to maintain technology leadership in the industry. As a developer in the industry which was the first to conduct research on and make use of the world-leading Unreal Engine in developing mobile games, and has quickly built a next-generation process based on Unreal Engine 4, we keep improving and exploring. Up to now, we have successfully launched five products based on game products developed using Unreal Engine 4, ranking among the top in the industry. In 2022, Epic Games, which has maintained in-depth cooperation with us, officially launched Unreal Engine 5. As one of the five mainland Chinese developers that cooperate with Epic Games on this technology, we have conducted in-depth research on Unreal Engine 5 and have greatly improved and optimized high-frame-rate game screens and the logical sense of objects utilizing its virtualized micro-polygon geometry system, as a result, we have forged the first batch of game products using this technology while significantly improving the efficiency of art production as well as operation and maintenance with the use of the technology, running at the forefront of the Unreal Engine 5 technology applications field. Our product reserves include high-quality cross-era games that use Unreal Engine 5 to create exquisite scene rendering and ultra-high on-screen fidelity. It is foreseeable that our advance layout of Unreal Engine 5 will bring us a first-mover advantage in future competition.

In terms of artificial intelligence-generated content (AIGC), we keep pace with the technological development trend, and combining our strong technologies and R&D advantages, actively explore the application and expansion of artificial intelligence in game products. Through the application and in-depth training of different artificial intelligence tools, we accurately grasp the spontaneity and creativity characteristics of artificial intelligence in upgrading our game products in multiple dimensions such as algorithm models, content design, art creation, and intelligent interaction, and the natural language system built by the deep application of artificial intelligence technology is used to create NPCs with independent personality and thus enhancing the player's sense of reality and immersion in the virtual world.

We will leverage a combination of new technologies in a more open way to fully realize game products equipped with highly creative and intelligent applications, transform technological advantages into product advantages, and rely on continuous technological improvement and deep plowing to achieve a win-win situation in terms of game quality and R&D efficiency.

Prospects

Looking forward to 2023, we expect that the game industry in mainland China will burst out with new vitality. While grasping the domestic market, we will continue to expand overseas markets. A variety of game products represented by Avatar: Reckoning and Life Makeover (以閃亮之名) will be launched successively in mainland China and other parts of the world. On the other hand, we will continue to set off from the essence of the game, strictly control the quality of the game, and dig deep into the core gameplay of the game, so that every high-quality game of Archosaur Games is created with the spirit of ingenuity. We believe that we will surely usher in a new chapter of development given the long-term expansion of the multi-genre track, the in-depth layout of the high-quality product and globalized strategy, the absorption and cultivation of high-quality talents, and the continuous innovation of technology.

Appreciation

In 2023, we will keep in mind the mission of bringing happiness to players and creating value for shareholders, and be a game company that is always full of enthusiasm and creativity. On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to all the employees and managers of the Group for their dedicated efforts in 2022, as well as to our investors and people from all sectors.

Li Qing
Chairman of the Board

Archosaur Games Inc.

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 high-quality mobile MMORPGs, SLGs, female-oriented, strategy cards and other genres. Our proven capabilities in developing high-quality mobile games and the focus on continuous deep-engagement in core game experience genre have won excellent market reputation.

As at the date of this Results Announcement, we have industry talents laid out in Beijing, Shanghai, Guangzhou, Chengdu, Changchun, Hainan and South Korea, forming a continuous improving organic model of integrating operation and research and development with Beijing working as the center, gradually expanding to regions nationwide where the game industry is relatively developed and overseas, and building our talent pool in all areas by drawing upon the experience gained on key points.

In terms of globalized strategic layout, we continue to export high quality products in different countries and regions, conduct in-depth analysis of players and users in each market, and build more targeted product promotion strategies and publishing models that focus on user needs. The first release of Life Makeover (以閃亮之名) in overseas markets and its excellent market performance have fully demonstrated the great importance we attach to the globalized strategy and the strength of Archosaur Games in overseas markets. In addition, our top IP products in cooperation with internationally renowned manufacturers have enhanced the influence of Archosaur Games on a global scale. The smooth progress of the Avatar mobile game project Avatar: Reckoning signifies the recognition of the internationally renowned manufacturers in the research and development and operation of high-quality games of Archosaur Games, and enables us to further explore overseas markets with solid confidence.

Our Existing Games

We mainly focus on the development of mobile MMORPGs, SLGs, female-oriented, shooting and strategy card games and other genres, and offer a high-quality and diversified mobile games portfolio with excellent market reputation. As at 31 December 2022, we had launched 19 high-quality mobile games with multiple regional versions in 14 languages available in more than 170 regional markets, including Hong Kong, Macao, Taiwan, Southeast Asia, South Korea, Japan, Europe and the Americas. The cumulative number of global registered players of 13 mobile games in operation had surpassed 140 million, among which (i) the global cumulative gross billings generated by a mobile game had exceeded RMB4 billion; (ii) the global cumulative gross billings generated by 3 mobile games had exceeded RMB3 billion; (iii) the global cumulative gross billings generated by 6 mobile games had exceeded RMB1 billion; and (iv) the gross billings generated by 7 mobile games had exceeded RMB100 million in the first month after they were launched.

Life Makeover (以閃亮之名) was launched in the second half of 2022 in Hong Kong, Macau, Taiwan, Singapore, Malaysia and Japan, followed by mainland China with game publication number obtained in January 2023, where it was expected to be launched in 2023. It is an ultra-free fashionable female-oriented game which was developed by new generation of female production and planning team of the Company and has attained the top level on the mobile platform both in terms of on-screen precision and material texture complexity. The game topped the Top Free Games Chart of the iOS App Store in Hong Kong, Macao, Taiwan, Singapore, Malaysia and Japan on the first day of launch and the Google Play Top Games Chart in Hong Kong, Macao and Taiwan. The game was ranked in the top two, three and four of the Bestsellers Games Chart of the iOS App Store respectively within a month of its launch in Hong Kong, Macao and Taiwan. The game topped the Bestsellers Games Chart of the iOS App Store in Hong Kong and Taiwan on the day after the launch of its version update in September 2022, and ranked the third, first and second place on the Bestsellers Games Chart of the iOS App Store in Hong Kong, Macau and Taiwan upon its version update in February 2023. In December 2022, it entered top 20 of the Bestsellers Games Chart of the iOS App Store in Japan within two weeks of its launch. During the development, the game has incorporated customized content of traditional Chinese culture such as Sichuan embroidery to meet players' personalized needs and to show the unparalleled charm of traditional Chinese art to the public in different regions. The game has obtained more than 15 million pre-orders on official website of mainland China, and the pre-orders of the game has exceeded 2.2 million on TapTap, laying a solid foundation for a successful launching in the market. The game will also be launched in Europe, the Americas and Southeast Asia later. Meanwhile, the game is expected to expand on PC and other platforms. It is believed that, with the development and unlocking of more gameplay and the opening up of more platform channels, the game will definitely present more surprising performance. The game has built up an excellent reputation and attracted a large number of fans with its top-level quality. Such a good development model will certainly form a healthy game ecology, which will become a strong driving force for the development of the business and bring positive and considerable long-term revenue to the Company.

Dragon Raja (龍族幻想) is the first next generation real 3D mobile MMORPG developed by Unreal Engine 4 in China. The game had been a huge success in mainland China and had performed exceptionally well outside of mainland China. The European, American and Southeast Asian versions have been launched for about three years and the game has a very stable long-term performance. The game continued its version update in 2022 with a joint promotion with Disney, an internationally renowned manufacturer. At present, the game has started its third anniversary season activity overseas, actively maintaining the healthy long-term ecology of the game, and contributing more stable revenue to the Company. As at 31 December 2022, the cumulative gross billings of the game had exceeded RMB4.2 billion and the cumulative number of global registered players of the game was more than 42 million.

Under the Firmament (鴻圖之下) as our first mobile SLG developed by Unreal Engine 4 has been successively launched in mainland China, Japan, Southeast Asia, Hong Kong, Macao, Taiwan, Europe and the Americas since 2020, and has gained excellent performance and long-term stability. In January 2022, we published the game in South Korea and it ranked 4th on the Top Free Games Chart and 11th on the Bestsellers Games Chart of Google Play within ten days of launch, accumulating valuable publishing experience in the Korean market for the Company with successful achievements. As at 31 December 2022, the cumulative gross billings of Under the Firmament (鴻圖之下) was over RMB1.4 billion, and the number of accumulated registered players reached more than 6.9 million.

In addition to the above games, games under operation, including Fantasy Zhuxian (夢幻誅仙), World of Kings (萬王之王 3D), Love & Sword (御劍情緣), Loong Craft (六龍爭霸) and The New World (夢想新大陸) had a relatively stable performance and continued to make contributions to the Group's revenue in 2022.

Our Game Pipeline

To build up a diversified game portfolio across a wide range of genres, ten game products are expected to be launched globally over the period from 2023 to 2025, covering the genres of MMORPGs, SLGs, female-oriented, shooting, strategy card games and others.

As at the date of this Results Announcement, 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.

Title ⁽¹⁾	Genre ⁽¹⁾	IP source ⁽¹⁾	Development stage as at the date of this Results Announcement ⁽¹⁾	Expected launch year ⁽¹⁾	Major markets ^{(1) (2)}
2023					
Avatar: Reckoning	MMORPG + Shooting	Licensed IP	Game Testing	2023	Worldwide
Life Makeover (以閃亮之名)	Female Oriented Game	Original IP	Game Testing	2023	Mainland China
Sango Heroes (三國群英傳)	SLG	Licensed IP	Game Testing	2023	Asia
Project Code: IM ⁽³⁾	Card RPG Game	Original IP	Game Production	2023	Asia
2024					
Project D ⁽³⁾	MMORPG	— ⁽³⁾	Game Proposal	2024	Worldwide
Project Code: Reborn ⁽³⁾	Open World Role-Playing Game +	Original IP	Game Production	2024	Worldwide
Project E ⁽³⁾	Strategy Card Game	Licensed IP	Game Proposal	2024	Worldwide
2025					
Project F ⁽³⁾	MMORPG+	— ⁽³⁾	Game Proposal	2025	Worldwide
Project G ⁽³⁾	MMORPG + Action	— ⁽³⁾	Game Proposal	2025	Worldwide
Project H ⁽³⁾	MMORPG + Shooting	— ⁽³⁾	Game Proposal	2025	Worldwide

Notes:

- (1) The game pipeline is for indicative purpose only as at the date of this Results Announcement. The title, genre, expected launch year, major markets, IP source 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 major markets refer to target publishing markets. The games will be launched successively in different regions according to their respective publishing plans.
- (3) The game title or IP status, as applicable, of the respective game is pending as at the date of this Results Announcement.

The introduction of several new games in our game pipeline is provided as follows:

Avatar: Reckoning is an innovative product that combines MMORPG and shooting. The release of this product also means that Archosaur Games has stepped into the track of multiplayer online shooting game genre. The game combines the player-vs-environment (PvE) and player-vs-player (PvP) in an innovative way and further enhances the social attributes, allowing players to enjoy the exciting experience of different combat modes while leveling up their Avatar character through the development game play. Players can freely choose single player, team, PvP and other modes to explore the amazing planet Pandora. According to data from the Internet Movie Database (IMDb), both the film Avatar and its sequel Avatar: The Way of Water have recorded a global box-office revenue exceeding US\$2 billion, ranking among the top box-office records in film history. The exquisite production of Avatar: Reckoning not only fully embodies the essence of the two Avatar films, but also uses Unreal Engine 4 to sculpt details such as the environment, weather, animals and plants, perfectly presenting the colorful Avatar world in the form of a game in front of players. At present, the game has completed the third test overseas and constantly upgraded the 3C quality, optimized the experience of the gun shooting, operation and action, and significantly improved the graphics, IP reproduction, game performance and compatibility with different hardware. In the future, the game will start paid testing. The product will present more eye-catching performance

through the continuous analysis of the previous testing data and the continuous optimization and upgrading of the game content. On 27 June 2022, the game was first exposed in the mainland China market, which obtained a lot of media exposure and high market attention. With “Avatar” being the world’s top-notch IP, Archosaur Games equipped with top-notch research and development capabilities on mobile platform game, and Tencent possessing the top-notch publishing capabilities on mobile platform game, the absolute advantages of the integrated “IP-R&D-Publishing” are expected to be fully displayed and reflected in this product.

Sango Heroes (三國群英傳) is a SLG product based on a well-known IP. It inherits the core strengths of Under the Firmament (鴻圖之下), and enriches the differentiated gameplay to create a more diverse battle strategy and battle experience. The game is currently on the testing stage.

Project Code: IM is a mobile Chinese-style card RPG game powered by Unreal Engine 4.

Project E is a strategy card game adapted and developed according to the original work of Dragon Raja (龍族).

Project Code: Reborn is a multi-platform open world role-playing + product powered by Unreal Engine 5.

During the Reporting Period, we recorded revenue of RMB584.1 million, representing a decrease of 36.6% as compared with RMB920.8 million for the same period in 2021, which was primarily attributable to (i) a new game published in mainland China in the first half of 2022 did not perform as well as expected; (ii) the postponement of obtaining the game publication number as scheduled for a game planned to be published in 2022 occurred leading to a delay in game launching; and (iii) the revenue from certain games that have been launched for a long time decreased, which is in line with the normal game lifecycles. In the future, with the expansion of our product genres from MMORPGs and SLGs to female-oriented, shooting, strategy cards and other more diversified games, and with a variety of styles and the continuous improvement of our organic model of integrating operation and research and development, 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 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 minimise 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 business operations, financial performance or working capital of the Group.

FINANCIAL REVIEW

REVENUE

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

	For the year ended 31 December			
	2022		2021	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
Development and licensing	238.4	40.8%	472.4	51.3%
– Revenue share	215.3	36.8%	444.9	48.3%
– Non-refundable fixed licensing fees	23.1	4.0%	27.5	3.0%
Integrated game publishing and operation	345.4	59.1%	448.4	48.7%
Others	0.3	0.1%	–	–
Total	584.1	100.0%	920.8	100.0%

For the year ended 31 December 2022, our revenue from development and licensing was RMB238.4 million, representing a decrease of 49.5% from RMB472.4 million for the year ended 31 December 2021, and our revenue from integrated game publishing and operation was RMB345.4 million, representing a decrease of 23.0% from RMB448.4 million for the year ended 31 December 2021.

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

	For the year ended 31 December			
	2022		2021	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
Mainland China	179.3	30.7%	385.2	41.8%
Overseas	404.8	69.3%	535.6	58.2%
Total	584.1	100.0%	920.8	100.0%

For the year ended 31 December 2022, our revenue generated from mainland China was RMB179.3 million, representing a decrease of 53.5%, from RMB385.2 million for the year ended 31 December 2021, and our revenue generated from markets outside mainland China was RMB404.8 million, representing a decrease of 24.4%, from RMB535.6 million for the year ended 31 December 2021.

The decrease in the revenue was mainly attributable to (i) a new game published in mainland China in the first half of 2022 did not perform as well as expected; (ii) the postponement of obtaining the game publication number as scheduled for a game planned to be published in 2022 occurred leading to a delay in game launching; and (iii) the revenue from certain games that have been launched for a long time decreased, which is in line with the normal game lifecycles.

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 years indicated:

	For the year ended 31 December			
	2022		2021	
	(RMB million)	% of total cost of revenue	(RMB million)	% of total cost of revenue
Commissions charged by distribution channels and payment channels	106.5	66.4%	132.5	63.9%
Revenue share to IP holders	19.9	12.4%	37.3	18.0%
Bandwidth and servers custody fee	16.2	10.1%	16.0	7.7%
Employee benefit expenses	12.1	7.5%	9.8	4.7%
Depreciation and amortization charges	2.1	1.3%	7.0	3.4%
Others	3.7	2.3%	4.7	2.3%
Total	160.5	100.0%	207.3	100.0%

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels, and (ii) revenue share to IP holders and (iii) bandwidth and servers custody fee. Our cost of revenue decreased to RMB160.5 million for the year ended 31 December 2022 as compared with RMB207.3 million for the year ended 31 December 2021, 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 year ended 31 December 2022, the gross profit of the Group decreased by 40.6% to RMB423.6 million as compared with RMB713.5 million for the year ended 31 December 2021, which was primarily attributable to the decrease in revenue. The gross profit margin of the Group decreased to approximately 72.5% for the year ended 31 December 2022 from 77.5% for the year ended 31 December 2021, 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 40.8% and 59.1% respectively for the year ended 31 December 2022, as compared with 51.3% and 48.7% respectively for the corresponding period in 2021. It represented a decrease 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 year ended 31 December 2022, our research and development expenses increased by 5.8% to RMB746.3 million as compared with RMB705.6 million for the year ended 31 December 2021, mainly attributable to the increase in employees' remuneration.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the year ended 31 December 2022, our selling and marketing expenses increased by 13.5% to RMB280.6 million as compared with RMB247.2 million for the year ended 31 December 2021, mainly attributable to the increase in employees' remuneration.

ADMINISTRATIVE EXPENSES

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) auditors' remuneration and other professional consulting fees; and (iii) utilities and office expenses. For the year ended 31 December 2022, our administrative expenses increased by 10.5% to RMB108.2 million as compared with RMB97.9 million for the year ended 31 December 2021, mainly attributable to the increase in employees' remuneration.

OTHER INCOME

For the year ended 31 December 2022, our other income decreased by 41.8% to RMB3.9 million as compared with RMB6.7 million for the year ended 31 December 2021, due to the decrease in government grants.

OTHER (LOSSES)/GAINS, NET

Our net other (losses)/gains primarily consisted of (i) (losses)/gains on financial instruments at fair value through profit or loss; and (ii) net foreign exchange (losses)/gains. For the year ended 31 December 2022, the net other losses amounted to RMB63.6 million as compared with net other gains of RMB38.2 million for the year ended 31 December 2021, mainly attributable to the (i) losses on the financial instruments at fair value through profit or loss due to fluctuations in the global and PRC capital markets in 2022 and (ii) foreign exchange losses.

FINANCE INCOME, 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 and bank charges. For the year ended 31 December 2022, the net finance income increased by 47.4% to RMB17.1 million as compared with RMB11.6 million for the year ended 31 December 2021, mainly attributable to the decrease in interest expenses accrued from our lease liabilities and bank charges.

INCOME TAX EXPENSE

Our income tax expense consisted of current income tax and deferred income tax. For the year ended 31 December 2022, our income tax expense decreased by 95.5% to RMB0.7 million as compared with RMB15.5 million for the year ended 31 December 2021, mainly attributable to the balance of deductible losses which can be utilized against the future taxable profit had been reversed before 31 December 2021 and would not have any impact on deferred income tax for the year ended 31 December 2022.

ADJUSTED NET LOSS

The adjusted net loss for the year ended 31 December 2022 amounted to RMB731.9 million as compared with adjusted net loss of RMB237.7 million for the year ended 31 December 2021. Such increase of loss was primarily attributable to (i) the decrease in our revenue, (ii) the increase in employees' remuneration and (iii) the loss on the financial instruments at fair value through profit or loss.

The Company believes that adjusted net loss for the year ended 31 December 2022, as compared with loss for the year ended 31 December 2022 as reported under the IFRS, can better reflect the underlying operating performance of the Group as well as facilitate year to year 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 year ended 31 December 2022 and 2021 to the nearest measures prepared in accordance with IFRS.

	For the year ended	
	31 December	
	2022	2021
	(RMB	(RMB
	million)	million)
Reconciliation of loss for the year to adjusted net loss for the year:		
Loss for the year	(768.5)	(303.3)
Add:		
Share-based compensation expenses	<u>36.6</u>	<u>65.6</u>
Adjusted net loss for the year	<u>(731.9)</u>	<u>(237.7)</u>

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.

As at 31 December 2022, the Group has net current assets of RMB2,007.0 million and cash and cash equivalents, term deposits and restricted cash of RMB1,613.7 million, which were mainly denominated in RMB, US\$ and HK\$.

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to RMB2,590.2 million, compared with RMB3,166.4 million as at 31 December 2021, representing a decrease of 18.2%. The decrease was mainly attributable to the operating loss for the year ended 31 December 2022.

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

	For the year ended 31 December		
	2022 (RMB million)	2021 (RMB million)	Change (%)
Net cash used in operating activities	(514.5)	(151.7)	239.2%
Net cash generated from/(used in) investing activities	85.7	(1,086.6)	(107.9)%
Net cash used in financing activities	(118.3)	(114.8)	3.0%
Net decrease in cash and cash equivalents	(547.1)	(1,353.1)	(59.6)%
Cash and cash equivalents at the beginning of the year	1,672.3	3,055.7	(45.3)%
Exchange gains/(losses) on cash and cash equivalents	107.8	(30.3)	(455.8)%
Cash and cash equivalents at the end of the year	<u>1,233.0</u>	<u>1,672.3</u>	<u>(26.3)%</u>

Operating Activities

For the year ended 31 December 2022, net cash used in operating activities was RMB514.5 million, compared with RMB151.7 million used in operating activities for the year ended 31 December 2021, representing an increase of 239.2%. The increase was mainly attributable to a decrease in revenue and an increase in employees' remuneration.

Investing Activities

For the year ended 31 December 2022, net cash generated from investing activities was RMB85.7 million, compared with RMB1,086.6 million used in investing activities for the year ended 31 December 2021, mainly attributable to proceeds from maturity of term deposit and less investments in private equity, venture capital and other funds.

Financing Activities

For the year ended 31 December 2022, net cash used in financing activities was RMB118.3 million, compared with RMB114.8 million used in financing activities for the year ended 31 December 2021.

GEARING RATIO

As at 31 December 2022, our gearing ratio, which is calculated as total debt divided by total assets, was 12.3%, as compared with 10.0% as at 31 December 2021.

CAPITAL EXPENDITURE

Our capital expenditure comprised expenditures on purchases of intangible assets and purchases of property, plant and equipment. For the year ended 31 December 2022 and 2021, total capital expenditure amounted to RMB40.6 million and RMB120.1 million respectively, representing a decrease of 66.2%. The decrease was mainly attributable to the decrease in purchases of intangible assets.

SIGNIFICANT INVESTMENTS HELD/FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2022, there was no significant investment held by the Group or future plans for significant investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2022, there was no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CHARGE ON ASSETS

As at 31 December 2022, no property, plant and equipment was pledged.

CONTINGENT LIABILITIES

As at 31 December 2022, we did not have any unrecorded significant contingent liabilities against us.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, we employed 1,181 full-time staff in total, approximately 78.3% 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, Shanghai, Guangzhou, Hainan and South Korea. For the year ended 31 December 2022, cost of employees' remuneration and benefit was approximately RMB730.9 million as compared with RMB644.8 million for the year ended 31 December 2021.

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 monthly performance evaluations to provide employee performance feedback, and report conduct quarterly selections to affirm and encourage outstanding employees. 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 the Group, the Company adopted the Pre-IPO RSU Scheme on 1 April 2020 and the RSU Scheme on 22 December 2022, and adopted and amended the Share Option Scheme on 5 February 2021 and 22 December 2022, 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, legislations and statutory regulations, 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 year ended 31 December 2022, 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. For the year ended 31 December 2022, 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

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. 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. 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 31 December 2022:

Use of net proceeds	Percentage	The amount		As at 31 December 2022		Expected timeline for utilizing the remaining net proceeds ⁽¹⁾
		Net proceeds from the Global Offering (HK\$ million)	utilized during the year ended 31 December 2022 (HK\$ million)	Utilized amount (HK\$ million)	Unutilized amount (HK\$ million)	
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	136.0	943.5	-	-
Expanding game publishing and operation business, particularly in markets outside of mainland China	20%	471.7	173.8	471.7	-	-
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	45.1	181.5	290.2	2023.01-2023.07
Expanding the IP reserve and enriching our content offerings	10%	235.8	38.2	195.8	40.0	2023.01-2023.07
Working capital and general corporate uses	10%	235.8	127.6	235.8	-	-
Total	100%	2,358.5	520.7	2,028.3	330.2	

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 31 December 2022, approximately HK\$2,028.3 million out of net proceeds from the Global Offering had been used.

The original expected timeline of utilizing the remaining net proceeds in respect of (i) 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; and (ii) expanding the IP reserve and enriching the Group's content offerings was July 2022. The delay in the use of such net proceeds was mainly attributable to:

- (i) longer time required for and the more cautious approach taken by the Group in locating and assessing suitable acquisition and investment targets, in view of the more stringent policies and supervision imposed by the regulatory authorities in the pan-entertainment, technology, media, telecom businesses; and

- (ii) the postponement of securing IPs for future mobile game adaptations and development, as the development of game pipeline was generally prolonged due to the strategic decision of the Group to invest additional research and development time and resources for fine-tuning the games introduced in 2022.

Apart from the above-mentioned adjustments, 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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this Results Announcement, the Group did not have any important events after the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code during the Reporting Period, except for the code provisions as set out below.

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Qing is currently the chairman and chief executive officer of the Company. In view of his substantial contribution to the Group since its establishment and his extensive experience in the game industry, the Board considers that vesting the roles of chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long term business strategies and does not impair the balance of power and authority between the Board and the management of the Company. 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.

The Board will continue to review the effectiveness of the corporate governance structure in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Code provision C.5.7 of the Corporate Governance Code stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. During the year ended 31 December 2022, the Board approved the continuing connected transactions in respect of the Licensing Agreement and the Exclusive Agency and Operation Agreement, by way of circulation of written resolutions in lieu of physical board meetings on 18 June 2022 and on 26 August 2022, respectively, for which Ms. Liu Ming, a non-executive Director and an employee of Tencent Group, was regarded as having material interests therein. The Board considered that (i) the terms of the aforesaid transactions are fair and reasonable, are on normal commercial terms or better and are in the ordinary and usual course of business of the Company and are in the interests of the Company and the shareholders of the Company as a whole; (ii) Ms. Liu Ming had abstained from voting on the relevant written resolutions of the Board in approving the aforesaid transactions; (iii) prior to the official signing on the written resolution, related directors had thoroughly discussed the aforesaid transactions through digital methods; and (iv) the adoption of written resolutions would facilitate and maximize the effectiveness of decision-making and implementation.

The Board will continue to review and monitor the practices of the Company with an aim to maintain a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 during the year ended 31 December 2022.

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. Bai Kun and Mr. Ding Zhiping. Mr. Zhu Lin is the chairman of the Audit Committee. The Audit Committee together with the Auditor, has reviewed the consolidated financial information of the Group for the year ended 31 December 2022 and this Results Announcement. The Audit Committee has no disagreement with the accounting treatment in the financial statements and this Results Announcement, and discussed auditing, risk management, internal control and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, the Board considered the repurchases of Shares could enhance the net value of the Group and improve the return on equity and will benefit the Company and the Shareholders as a whole, thus the Company repurchased a total of 12,616,370 Shares on the Stock Exchange at a total consideration of HK\$61,261,899.90, of which 5,732,000 repurchased Shares were yet to be cancelled as at 31 December 2022 and had been cancelled as at the date of this Results Announcement.

Details of the aforementioned repurchases are set out as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total purchase price paid (HK\$)
January 2022	776,000	9.30	8.87	7,062,330.00
March 2022	87,000	7.58	7.45	656,020.00
April 2022	945,000	8.50	7.32	7,531,620.00
May 2022	1,518,000	7.25	6.19	10,270,760.00
June 2022	1,171,000	6.60	5.58	7,077,910.00
July 2022	2,387,370	5.36	4.59	11,628,986.40
August 2022	127,000	3.97	3.91	500,810.00
September 2022	3,966,000	3.47	2.78	12,365,243.50
October 2022	1,549,000	2.94	2.19	3,968,420.00
November 2022	90,000	2.22	2.22	199,800.00
Total	<u>12,616,370</u>			<u>61,261,899.90</u>

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

FINAL DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Friday, 16 June 2023 (the "AGM"), the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the AGM, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2023 for registration of share transfer.

AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in this Results Announcement have been agreed by the Company’s Auditor to the amounts set out in the Group’s audited consolidated financial statements for the year. The Company’s Auditor made no comments as to the reasonableness or appropriateness of those assumptions of the “Adjusted Net Loss” as presented in this Results Announcement. The work performed by the Company’s Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s Auditor on this Results Announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This Results Announcement is published on the websites of the Company (www.zulong.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 will be dispatched to the Shareholders and published on the above websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	3	584,121	920,827
Cost of revenue	5	<u>(160,501)</u>	<u>(207,296)</u>
Gross profit		423,620	713,531
Research and development expenses	5	(746,364)	(705,626)
Selling and marketing expenses	5	(280,578)	(247,190)
Administrative expenses	5	(108,200)	(97,926)
Net (allowance)/reversal for impairment on financial assets	5	(173)	2,930
Other income		3,916	6,722
Other (losses)/gains, net	4	<u>(63,658)</u>	<u>38,132</u>
Operating loss		(771,437)	(289,427)
Finance income	6	23,524	22,113
Finance costs	6	<u>(6,438)</u>	<u>(10,491)</u>
Finance income, net	6	17,086	11,622
Share of results of investments accounted for using the equity method		<u>(13,437)</u>	<u>(9,950)</u>
Loss before income tax		(767,788)	(287,755)
Income tax expense	7	<u>(759)</u>	<u>(15,570)</u>
Loss for the year		<u>(768,547)</u>	<u>(303,325)</u>
Loss attributable to:			
– Owners of the Company		(768,547)	(303,325)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(768,547)</u>	<u>(303,325)</u>
Loss per share attributable to owners of the Company for the year (in RMB/share)	8		
– Basic		(0.98)	(0.38)
– Diluted		<u>(0.98)</u>	<u>(0.38)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss for the year	<u>(768,547)</u>	<u>(303,325)</u>
Other comprehensive loss, net of tax:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	39,745	(18,745)
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	<u>168,619</u>	<u>(57,792)</u>
Total comprehensive loss for the year	<u>(560,183)</u>	<u>(379,862)</u>
Attributable to:		
– Owners of the Company	(560,183)	(379,862)
– Non-controlling interests	<u>–</u>	<u>–</u>
	<u>(560,183)</u>	<u>(379,862)</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		29,308	33,667
Right-of-use assets		100,343	134,525
Intangible assets		128,317	113,339
Investments accounted for using the equity method		78,087	61,524
Prepayments, other receivables and other assets		15,769	18,797
Financial assets at fair value through profit or loss		288,834	192,835
Other financial assets at amortized cost		34,830	–
Deferred tax assets		1,953	1,762
		<hr/> 677,441	<hr/> 556,449
Current assets			
Trade receivables	<i>10</i>	131,348	155,934
Prepayments, other receivables and other assets		90,155	65,157
Financial assets at fair value through profit or loss		440,661	458,289
Term deposits		354,846	574,132
Restricted Cash		25,906	35,771
Cash and cash equivalents		1,232,999	1,672,338
		<hr/> 2,275,915	<hr/> 2,961,621
Total assets		<hr/> 2,953,356	<hr/> 3,518,070

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022 (CONTINUED)

		As at 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	<i>11</i>	55	55
Share premium	<i>11</i>	6,946,624	6,951,009
Other reserves		(1,672,199)	(1,868,975)
Accumulated losses		(2,684,251)	(1,915,704)
		2,590,229	3,166,385
Non-controlling interests		–	–
Total equity		2,590,229	3,166,385
Liabilities			
Non-current liabilities			
Contract liabilities		28,595	10,513
Lease liabilities		62,797	98,780
Deferred income tax liabilities		2,786	3,132
		94,178	112,425
Current liabilities			
Trade and other payables	<i>13</i>	157,902	132,162
Contract liabilities		64,436	62,209
Current income tax liabilities		6,688	7,790
Lease liabilities		39,923	37,099
		268,949	239,260
Total liabilities		363,127	351,685
Total equity and liabilities		2,953,356	3,518,070

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2022

	<i>Note</i>	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Net cash used in from operating activities		<u>(514,535)</u>	<u>(151,752)</u>
Net cash generated from/(used in) investing activities		<u>85,663</u>	<u>(1,086,575)</u>
Net cash used in from financing activities		<u>(118,310)</u>	<u>(114,768)</u>
Net decrease in cash and cash equivalents		<u>(547,182)</u>	<u>(1,353,095)</u>
Cash and cash equivalents at beginning of the year		1,672,338	3,055,711
Exchange gains/(losses) on cash and cash equivalents		<u>107,843</u>	<u>(30,278)</u>
Cash and cash equivalents at end of the year		<u><u>1,232,999</u></u>	<u><u>1,672,338</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated financial statements for the year ended 31 December 2022 are presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) unless otherwise indicated. The consolidated financial statements for the year ended 31 December 2022 have been approved on 24 March 2023.

2 BASIS OF PREPARATION

(a) Compliance with IFRSs

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(b) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

Standards and amendments	Effective for annual periods beginning on or after
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
Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG5)	1 January 2022

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(c) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period 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.

Standards and amendments	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 8 on Definition of Accounting Estimates	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Amendments to IAS 1 on Non-current Liabilities with Covenants	1 January 2024
Amendment to IFRS 16 on Lease Liability in a Sale and Leaseback	1 January 2024
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

3 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 2022 and 2021, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the years ended 31 December 2022 and 2021 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.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Online game revenue		
– Development and licensing		
<i>Revenue share</i>	215,314	444,878
<i>Non-refundable fixed licensing fees</i>	23,139	27,519
– Integrated game publishing and operation	345,368	448,430
– Others	300	–
	<u>584,121</u>	<u>920,827</u>
Timing of revenue recognition		
– At a point in time	215,614	444,878
– Over time	368,507	475,949
	<u>584,121</u>	<u>920,827</u>

Revenues of approximately RMB238,022,000 and RMB471,760,000 for the years ended 31 December 2022 and 2021, respectively were derived from five largest single external customers.

During the year ended 31 December 2022, revenue of approximately RMB170,421,000 was derived from a single external customer accounted for more than 10% of total revenue (2021: RMB397,785,000).

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue segment by geography		
Mainland China	179,352	385,221
Overseas	404,769	535,606
	<u>584,121</u>	<u>920,827</u>

4 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(Losses)/gains on financial assets at fair value through profit or loss	(27,223)	25,055
Losses on financial liabilities at fair value through profit or loss	(20,923)	–
Foreign exchange (losses)/gains, net	(16,332)	11,182
Others	820	1,895
	<u>(63,658)</u>	<u>38,132</u>

5 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	730,874	644,833
Promotion and advertising expenses	183,000	192,536
Outsourced technical services	113,703	115,266
Commissions charged by Distribution Channels and payment channels	106,499	132,492
Depreciation and amortization charges	64,480	59,459
Utilities and office expenses	26,711	24,510
Revenue share to the IP holders	19,925	37,289
Bandwidth and servers custody fee	16,241	15,975
VAT input transfer out and tax surcharges	8,366	7,490
Other professional consulting fees	8,322	10,890
Travelling expenses	5,013	5,962
Auditors' remuneration	3,823	4,000
– Audit services	3,800	4,000
– Non-audit services	23	–
Allowance/(reversal) for impairment on financial assets (Note 10)	173	(2,930)
Others	8,686	7,336
	<u>1,295,816</u>	<u>1,255,108</u>

6 FINANCE INCOME, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income		
Interest income	23,524	22,113
Finance costs		
Interest expenses on lease liabilities	(5,832)	(7,369)
Others	(606)	(3,122)
	<u>(6,438)</u>	<u>(10,491)</u>
Finance income, net	<u>17,086</u>	<u>11,622</u>

7 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2022 and 2021 is analyzed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax expense	1,296	509
Deferred income tax	(537)	15,061
	<u>759</u>	<u>15,570</u>

(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 years ended 31 December 2022 and 2021, 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 years ended 31 December 2022 and 2021, based on the existing legislation, interpretations and practices in respect thereof.

Tianjin Loong Technology Co., Ltd. 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. (“**Huai’an Loong**”) qualified as a HNTE for a three-year period since 2018 and renewed its qualification in 2021 for another three-year period. Huai’an Loong is entitled to a preferential EIT rate of 15% on its assessable profits for a three-year period from 2021 to 2023.

Beijing Fantasy Mermaid Technology Limited renewed its qualification as a HNTE in 2019 and it was subject to a reduced preferential EIT rate of 15% for a three-year period from 2019 to 2022. The qualification expired in December 2022. Therefore, the entity renewed its qualification in December 2022 for another three-year period. Beijing Fantasy Mermaid is entitled to a preferential EIT rate of 15% on its assessable profits for a three-year period from 2022 to 2025.

Chengdu Fantasy Mermaid Technology Limited was established in Chengdu in December 2019, as it met the requirements of the revised catalogue of industries whose development is to be encouraged in the country’s western regions, which will allow EIT to be levied at a reduced rate of 15% for eligible enterprises.

Beihai Loong Venture Capital Co., Ltd. was established in Beihai in June 2021, as it met the requirements of the revised catalogue of industries whose development is to be encouraged in the country’s western regions, which will allow EIT to be levied at a reduced rate of 15% for eligible enterprises.

Beihai Longhao Venture Capital Co., Ltd. was established in Beihai in January 2022, as it met the requirements of the revised catalogue of industries whose development is to be encouraged in the country’s western regions, which will allow EIT to be levied at a reduced rate of 15% for eligible enterprises.

The State Taxation Administration of the PRC in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses (“**Super Deduction**”) from 1 January 2018 to 31 December 2020, and announced in March 2021 to extend this preferential claim percentage to 31 December 2023. As announced in September 2022, enterprises which are entitled to claim 175% of their research and development expenses would be entitled to claim 200% of their research and development expenses from 1 October 2022 to 31 December 2022. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

8 LOSS PER SHARE

(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 years.

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	(768,547)	(303,325)
Weighted average number of ordinary shares in issue (in thousands)	789,656	789,415
Less: weighted average number of treasury shares (in thousands)	(2,703)	(174)
Weighted average number of issued ordinary shares for calculating basic loss per share	<u>786,953</u>	<u>789,241</u>
Basic loss per share (in RMB/share)	<u>(0.98)</u>	<u>(0.38)</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 year ended 31 December 2022 and 2021, the Company has two categories of dilutive potential ordinary shares: the restricted share units (“RSUs”) and the Share Options as described in Note 12.

For the purpose of calculating diluted loss per share for the year ended 31 December 2022 and 2021, 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 year ended 31 December 2022 and 2021.

9 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2022 (Dividend amounted to HK\$60,347,740 has been paid in 2021).

10 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	133,858	158,271
Less: allowance for impairment of trade receivables	<u>(2,510)</u>	<u>(2,337)</u>
Trade receivables – net	<u>131,348</u>	<u>155,934</u>

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Related parties	63,193	88,104
Third parties	70,665	70,167
	<u>133,858</u>	<u>158,271</u>

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
US\$	65,926	71,000
RMB	61,366	78,988
HK\$	6,112	8,283
Others	454	—
	<u>133,858</u>	<u>158,271</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 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 3 months	76,670	91,145
3 to 6 months	33,706	37,849
6 months to 1 year	21,158	27,853
Over 1 year	2,324	1,424
	<u>133,858</u>	<u>158,271</u>

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	(2,337)	(5,267)
Provision for impairment	(217)	(5)
Reversal of impairment	44	2,935
	<u>(2,510)</u>	<u>(2,337)</u>

The creation and release of provision for impaired receivables have been included in “Net (allowance)/reversal for impairment 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 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US\$
Authorized		
At 1 January and 31 December 2022	5,000,000,000	50,000
Authorized		
At 1 January and 31 December 2021	5,000,000,000	50,000

	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued				
At 1 January 2022	791,491,279	8	55	6,951,009
Vesting of RSUs (<i>Note (a)</i>)	4,918,561	–	–	40,764
Cancellation of treasury shares	(8,041,370)	–	–	(45,149)
At 31 December 2022	<u>788,368,470</u>	<u>8</u>	<u>55</u>	<u>6,946,624</u>
Issued				
At 1 January 2021	786,110,000	8	55	6,907,441
Vesting of RSUs (<i>Note (a)</i>)	7,095,279	–	–	56,225
Cancellation of treasury shares	(1,714,000)	–	–	(12,657)
At 31 December 2021	<u>791,491,279</u>	<u>8</u>	<u>55</u>	<u>6,951,009</u>

Note:

- (a) During the year ended 31 December 2022, 4,918,561 ordinary shares of the Company were transferred to the share awardees upon vesting of the awarded shares under the scheme which is disclosed in Note 12(b) (during the year ended 31 December 2021: 7,095,279).

12 SHARE-BASED PAYMENTS

(a) Share Option Scheme

The Company adopted the share option scheme at the extraordinary general meeting on 5 February 2021 (“**the Adoption Date**”) (“**the Share Option Scheme**”). The purpose of the Share Option Scheme is to provide incentive or reward to employees (excluding any director) of the Group for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentive them to remain with the Group.

Upon the Share Option Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 40,775,500 shares representing 5% of the total number of shares in issue as at the Adoption Date.

On 14 April 2021, 8,155,100 share options were granted to eligible grantees under the Share Option Scheme. Pursuant to the Share Option Scheme, subject to grantee's employment or service to the Group through the applicable vesting date, the share options shall become vested with respect to 40%, 30% and 30% of the share options on each of the first trading day after 12, 24 and 36 months from the grant date. Each share option entitles the holder to subscribe for one share upon exercise of such share option at an exercise price of HK\$14.756 per share.

On 7 January 2022 (“**modification date**”), the Company cancelled the existing 6,764,377 exercisable share options (the “**Outstanding share options**”) and offered to grant 6,764,377 new share options to the existing holders to subscribe for 6,764,377 ordinary shares at a lower exercise price, which are served as replacement of the cancelled Outstanding share options under the Share Option Scheme. The exercise price was reduced from HK\$14.756 to HK\$8.72. The terms of the original share options are otherwise the same. This arrangement is treated as if the original share options had been modified. As a result, the incremental fair value granted should be expensed over the new vesting period since the modification date in addition to the Company continuing to charge for the original share options over the original vesting period.

The options may be exercised at any time after they have vested subject to the terms and conditions described in the offer letter until the last day of the 10-year period after the modification date.

Movements in the number of share options granted are as follows:

	Number of share options
At 1 January 2022	6,776,377
Vested	(2,513,714)
Forfeited	(1,182,818)
	<hr/>
At 31 December 2022	3,079,845
	<hr/> <hr/>
	Number of share options
At 1 January 2021	–
Granted	8,155,100
Forfeited	(1,378,723)
	<hr/>
At 31 December 2021	6,776,377
	<hr/> <hr/>

No share option was expired or exercised during the year ended 31 December 2022 and the remaining contractual life of outstanding share options was 9 years as of 31 December 2022.

The Company used binomial pricing model to determine the fair value of the share option granted, which is to be expensed over the vesting period.

Management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the remaining time to maturity of the share options. Volatility was estimated at grant date and modification date based on the average of historical volatilities of the comparable companies with length commensurable to the remaining time to maturity of the share options. Dividend yield is based on management estimation at the grant date and modification date.

Key parameters and results in applying the binomial model on original grant date and modification date of share options are summarized as below:

	Grant date As at 14 April 2021	Modification date As at 07 January 2022	
		Before modification	After modification
Risk-free interest rate	1.30%	1.74%	1.81%
Volatility	56.00%	55.73%	55.54%
Dividend yield	0.52%	0.85%	0.85%
Fair value per share option (HK\$)	6.02	2.22	3.38

(b) Restricted Share Unit Scheme

On 1 April 2020, to incentivize directors, senior management and employees, a RSU Scheme was approved and adopted by the Company (“**Pre-IPO RSU Scheme**”). Smooth Ebony Limited (“**Smooth Ebony**”) was incorporated to hold 5,000,000 ordinary shares (in equivalent to 29,400,000 underlying shares upon the completion of the Capitalization Issue). Smooth Ebony acts as the holding company to hold the shares on trust under the Pre-IPO RSU Scheme. Smooth Ebony was consolidated by the Company as to the Company is able to execute power over the control and management over Smooth Ebony.

On 1 April 2020 and 24 June 2020, in exchange for employee services to the Group, 3,180,700 RSUs in equivalent to 3,180,700 shares, or 18,702,516 underlying shares after taking into account the Capitalization Issue, were granted to certain eligible employees selected by the Board of Directors. Pursuant to the Pre-IPO RSU Scheme, subject to grantee’s employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from the Listing date of the Company.

On 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022 and 30 August 2022, the Company granted RSUs representing an aggregate of 2,521,200 underlying shares to certain eligible employees pursuant to the Pre-IPO RSU Scheme. Subject to grantee’s employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from a certain date.

On 22 December 2022, the new restricted share unit scheme of the Company was approved and adopted by the shareholders (“**RSU Scheme**”). There was no RSUs were granted under the RSU Scheme until 31 December 2022.

Movement in the number of underlying shares represented by RSUs for the year ended 31 December 2022 is as follows:

	Number of underlying shares represented by RSUs	Weighted average fair value per RSU (HK\$)
At 1 January 2022	10,276,445	9.282
Granted	1,607,000	7.394
Vested	(4,918,561)	9.200
Forfeited	(1,076,104)	10.046
	5,888,780	8.696
At 31 December 2022		
At 1 January 2021	17,996,916	8.684
Granted	914,200	16.376
Vested	(7,095,279)	8.729
Forfeited	(1,539,392)	9.058
	10,276,445	9.282
At 31 December 2021		

As the Group will receive employment or service of these employees in exchange for the grant of RSUs, share-based compensation expenses in respect of the employee services received is to be recognized as an expense over the vesting period. The total amount to be expensed is determined by the fair value of the RSUs granted at the grant date and taking into account the number of RSUs that are expected to be vested.

Prior to the completion of IPO, the Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and to determine the fair value of the RSUs granted as at the grant date. Key assumptions, such as discount rate, risk-free interest rate and volatility, are required to be determined by the Group with best estimate.

The fair value of the RSUs granted on 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022 and 30 August 2022 was determined using the market method with reference to the grant date closing share price of the Company.

(c) Expenses arising from share-based payment transactions

For the year ended 31 December 2022, share-based compensation expenses arising from the share-based awards granted by the Company have been charged to the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	556	647
Administrative expenses	7,245	12,051
Selling and marketing expenses	2,322	3,090
Research and development expenses	26,519	49,795
	36,642	65,583
	36,642	65,583

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Payroll liabilities	67,195	67,778
Trade payables	66,874	37,102
Tax payables	14,361	14,235
Asset procurement	731	5,195
Others	8,741	7,852
	157,902	132,162
	157,902	132,162

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Related parties	8,634	11,449
Third parties	58,240	25,653
	66,874	37,102
	66,874	37,102

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 6 months	55,251	26,766
6 months to 1 year	9,275	9,042
Over 1 year	2,348	1,294
	<hr/>	<hr/>
	66,874	37,102
	<hr/> <hr/>	<hr/> <hr/>

14 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Group after 31 December 2022.

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
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China
“Company” or “Archosaur Games”	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)
“Cooperative Game”	an online game to be developed by Chengdu Fantasy Mermaid Technology Limited based on (i) the adaptation from the Dragon Raja Original Work; and (ii) use of content from the Dragon Raja Animation, both granted to Chengdu Fantasy Mermaid Technology Limited by Shanghai Tencent Penguin Film Culture Communication Co., Ltd.* (上海騰訊企鵝影視文化傳播有限公司) (“ Tencent Penguin ”) in accordance with the Licensing Agreement, that can be run on mobile operating systems on mobile terminal devices (including mobile phones, pad-like mobile devices other than mobile phones, and other mobile devices and simulators) and the relevant updates, upgrades and fixes
“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
“Dragon Raja Animation”	the animated series of the literary work Dragon Raja (龍族) series
“Dragon Raja Original Work”	the literary work Dragon Raja (龍族) series in the form of novel

“Exclusive Agency and Operation Agreement”	the exclusive agency and operation agreement dated 26 August 2022 entered into between the Group, Tencent Technology (Shanghai) Company Limited* (騰訊科技(上海)有限公司) (“Tencent Shanghai”) and Shenzhen Tencent Tianyou Technology Company Limited* (深圳市騰訊天遊科技有限公司) (“Shenzhen Tencent Tianyou”) 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 Group by Tencent Shanghai and Shenzhen Tencent Tianyou
“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 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\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards
“Licensed Game”	the Korean version of a mobile game named 亂世王者
“Licensing Agreement”	the licensing agreement dated 18 June 2022 entered into between the Group and Tencent Penguin with respect to the grant of an exclusive and non-transferable right to (i) adapt and develop the Cooperative Game based on the Dragon Raja Original Work; (ii) publish and operate the Cooperative Game; and (iii) use the related content of the Dragon Raja Animation in the Cooperative Game
“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

“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
“Pre-IPO RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Board on 1 April 2020
“Prospectus”	the prospectus of the Company dated 30 June 2020
“Reporting Period”	the year ended 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Shareholders on 22 December 2022, in its present form or as may be amended from time to time
“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, 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
“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

“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) and/or its subsidiaries, as the case may be and holds 17.09% of our Shares as at 31 December 2022
“Tencent Group”	Tencent and its subsidiaries from time to time
“Unreal Engine 4” and “Unreal Engine 5”	game engines developed by Epic Games
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Beijing, China, 24 March 2023

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.