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ARCHOSAUR GAMES INC.

祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Archosaur Games Inc. (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Results Announcement**”), as below.

The interim results of the Group for the six months ended 30 June 2024 have been reviewed by the Audit Committee and by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

FINANCIAL PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June		Change %
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)	
Revenue	439.4	402.3	9.2%
Cost of revenue	<u>(117.7)</u>	<u>(104.6)</u>	12.5%
Gross profit	321.7	297.7	8.1%
Research and development expenses	(264.1)	(299.2)	(11.7)%
Selling and marketing expenses	(172.7)	(164.4)	5.0%
Administrative expenses	(47.0)	(51.8)	(9.3)%
Net impairment reversal/(losses) on financial assets	2.6	(0.6)	(533.3)%
Other income	1.7	3.4	(50.0)%
Other gains/(losses), net	<u>3.8</u>	<u>(27.0)</u>	<u>(114.1)%</u>
Operating loss	(154.0)	(241.9)	(36.3)%
Finance income	26.0	23.4	11.1%
Finance costs	<u>(1.4)</u>	<u>(2.6)</u>	<u>(46.2)%</u>
Finance income, net	24.6	20.8	18.3%
Share of results of investments accounted for using the equity method	<u>(3.5)</u>	<u>(12.5)</u>	<u>(72.0)%</u>
Loss before income tax	(132.9)	(233.6)	(43.1)%
Income tax (expense)/credit	<u>(1.1)</u>	<u>0.6</u>	<u>(283.3)%</u>
Loss for the period	<u>(134.0)</u>	<u>(233.0)</u>	<u>(42.5)%</u>
Non-IFRS measure:			
Adjusted net loss ⁽¹⁾	<u>(120.4)</u>	<u>(214.9)</u>	<u>(44.0)%</u>

Note:

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

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 the pioneer in China's mobile game industry focusing on developing high-quality mobile MMORPGs, SLGs, female-oriented, strategy card games and other genres, and our strength in developing high-quality mobile games has been proven over and over again. We continue to provide high-quality game content to players and have won excellent market reputation.

In terms of genre exploration and high quality, we use our advantageous MMORPG genre as an anchor point, and gradually expand the "MMORPG+" sub-genre, making full use of our R&D technological advantages accumulated over the years and in-depth understanding of the game engine to break through the original technological ceiling of the genre and enhance the efficiency of resource utilization, so as to produce high-quality games in the sub-genre and maximize cost-effectiveness at the same time. Life Makeover (以閃亮之名) is the best example of the breakthroughs we have made in recent years in sub-track.

In terms of integrating R&D and operation and globalization strategy, we have strengthened our investment in long-term operation and constantly launched new events and new gameplay as planned, which has resulted in high user stickiness and a highly interactive player community. In addition, by offering high-quality products to different countries and regions, conducting in-depth analyses of the players and users in various markets, and determining the promotional strategy and publishing mode by combining the local cultural characteristics with the characteristics of the products, we continue to contribute stable revenue to the Group.

In terms of technological innovation, as a developer which is a pioneer in researching and making use of Unreal Engine in developing mobile games within the industry, we focus on mobile games, actively expand to PC platforms, Steam and other multi-platform, multi-channel versions and are committed to letting a wider range of players to experience high-quality and refined products. At the same time, we have made special breakthroughs in the areas of mobile full-dynamic light shadowing (移動端全動態光源陰影) and self-developed Global Illumination (全局光照), making the game further upgraded in terms of performance and visual effects.

In the first half of 2024, we devoted ourselves to gameplay design and game innovation, so as to organically combine innovation and fun and returned to the essence and original intention of game development. In the second half of 2024, on the basis that our published projects continue to steadily contribute considerable long-term revenues, we will soon launch two blockbuster products, Dragon Raja: Cassell Gate (龍族:卡塞爾之門) and Immortal Skywalker (踏風行). We expect these two products to enrich the product matrix and bring Archosaur Games more opportunities for development.

OUR EXISTING GAMES

As at the date of this Results Announcement, we had launched 21 high-quality mobile games covering MMORPGs, SLGs, female-oriented and other genres, with multiple regional versions in 14 languages available in more than 170 regional markets. The high-quality and diversified game portfolio that we offered had excellent market reputation.

Life Makeover (以閃亮之名) is an ultra-free fashionable female-oriented game which was developed by new generation of female production and planning team of the Company. Since its first launch in Chinese mainland on 24 March 2023, it has entered top 10 of the Bestsellers Games Chart for iOS for more than ten times. The game launched a series of celebrations on the anniversary of its launch in Chinese mainland: Life Makeover (以閃亮之名) was promoted synchronously on iconic displays in five locations around the world such as Shanghai, New York and Melbourne on 24 March 2024, and topped the hot search on Weibo on the same day; the game's anniversary version, "Fox Reverie" (夢狐繪卷), went online on 3 April, while the gross billings of the same day exceeded RMB20 million, and reached the top 10 of the Bestsellers Games Chart of the iOS App Store in Chinese mainland. The "Mermaid's Song" (人魚幻歌) version of the game updated on 7 August was published in all channels in Chinese mainland and launched a series of joint events with China Post, Shanghai Haichang Ocean Park, Desert Post and others. In the ongoing events, the game also incorporated customized content of China's intangible cultural heritage such as Sichuan embroidery (蜀繡), Quanzhou string puppet show, Dehua white porcelain and Peking Opera, etc., which met players' individual needs and showed the unparalleled charm of Chinese traditional arts to the public in different regions. In addition, the game launched a pet system in the first half of the year. With the extreme hair movement of a single pet having up to 30 million hair as well as the unique rendering and dyeing process, it superimposed with human-pet interaction, breeding system, pet wardrobe and other gameplay, which has gained the attention and popularity of a wide range of players. At present, the open great map is being actively promoted, which will add a higher degree of simulation and freedom to the game, so that the game world is full of endless exploration possibilities, and the game will also unlock more new gameplay in the future. The game has established an excellent reputation and attracted a large number of players due to its superb product quality. At the same time, relying on the mature and efficient R&D and operation management to regularly launch and update activities, this sound development model is bound to bring positive and considerable long-term revenue for the Group. As of 30 June 2024, the cumulative number of global players of Life Makeover (以閃亮之名) exceeded 16 million.

Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業) is a SLG game based on the IP of Sango Heroes (三國群英傳), which inherits the core strengths of Under the Firmament (鴻圖之下) and enriches the differentiated gameplay. Based on a high degree of IP reproduction, we have fine-tuned the player experience and battle balance to create a more diverse battle strategy and battle experience. Additionally, we have also optimized the game's benefit system to improve users' experience and retention. The game was officially launched on 13 July in Chinese mainland through licensed publishing, and was planned to be launched in China's Hong Kong, Macao and Taiwan regions in the fourth quarter. Due to the long-term operation characteristics of SLG game products and the steady publishing mode of the authorized agent, the data performance of the game is growing steadily.

For a number of classic games under operation such as Dragon Raja (龍族幻想), Under the Firmament (鴻圖之下), Fantasy Zhuxian (夢幻誅仙), World of Kings (萬王之王 3D), Love & Sword (御劍情緣) and Loong Craft (六龍爭霸), the Company continued to invest in operation and maintained a healthy long-term ecosystem of the games through events such as anniversary celebrations and version updates, with the performance of each game being relatively stable and continuing to contribute to the Group's revenue.

OUR GAME PIPELINE

To build up a diversified game portfolio across a wide range of genres, seven game products are expected to be launched globally over the period from the second half of 2024 to 2026, covering different genres of games.

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⁾
2024					
Dragon Raja: Cassell Gate (龍族:卡塞爾之門) ⁽³⁾	Strategy Card Game	Licensed IP	Game Testing	2024	Worldwide
Immortal Skywalker (踏風行) ⁽⁴⁾	Idle RPG	Original IP	Game Testing	2024	Asia
2025					
Project Code: Odin	MMORPG+	Licensed IP	Game Production	2025	Worldwide
Project F	MMORPG+	–	Game Production	2025	Worldwide
Project G	Numerical Card Game	–	Game Proposal	2025	Worldwide
2026					
Project H	MMORPG	–	Game Proposal	2026	Worldwide
Project I	Card Game	–	Game Proposal	2026	Worldwide

Notes:

- (1) The game pipeline is for indicative purpose only as at the date of this Results Announcement. The title, genre, IP source, development stage, expected launch year, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and pre-approval status.
- (2) The major markets refer to target publishing markets. The games will be launched successively in different regions according to their respective publishing plans.
- (3) Project E has been officially named Dragon Raja: Cassell Gate (龍族:卡塞爾之門).
- (4) Project Code: IM has been officially named Immortal Skywalker (踏風行).

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

Dragon Raja: Cassell Gate (龍族:卡塞爾之門) is a strategy card game adapted and developed based on the Dragon Raja (龍族) series of novels and animations and powered by Unreal Engine 4. Based on the original settings, the game features detailed character design and character illustration, as well as innovative gameplay to enhance the battle experience, and an integration of competition with casual social gameplay such as PvP (Player-vs-Player), manor and community, as well as character storylines and backstories to enhance players' sense of immersion and playability of the game. The game is planned to be released mainly by the way of self-publishing, with the two rounds of paid testing commenced in May and July. The testing is currently running smoothly with positive user feedback and will be officially launched in September.

Immortal Skywalker (踏風行) is a mobile Chinese-style idle RPG game powered by Unreal Engine 4. The game is based on cultivation themes and adopts the gameplay of numerical idle RPG, where players can freely choose between going around and practice and hang-up, as well as experience the cultivation gameplay. The game has two turn-based battle modes of both PvP and GvG (Group-vs-Group), realizing true 3D flight combat, which allows players to gain a better sense of battle strike and strategic interest in the ambience of Chinese-style graphics and Chinese-style sound effects. In addition, the social attribute of the game has been strengthened with the addition of companion flight and co-play. The game is planned to be released mainly by the way of self-publishing, and the first paid testing for Chinese mainland was launched in June, which received positive feedback from players, and will strive to be officially launched within this year.

Project Code: Odin is a MMORPG+ game adapted from the Dragon Raja (龍族) series of novels and powered by Unreal Engine 5. It is our sincere work of using innovative technology to develop the classic IP in depth. The game is currently under development, and we hope to present the spiritual core of the game in our advantageous MMO track, revive the story of the Dragon Raja, and present the ultimate aesthetic effect and gameplay experience to players around the world.

Project F is an open-world pet building game running on both mobile and PC platforms and powered by Unreal Engine 4.

During the Reporting Period, we recorded revenue of RMB439.4 million, representing an increase of 9.2% as compared with RMB402.3 million for the same period in 2023, which was primarily attributable to the excellent reputation and larger number of players of Life Makeover (以閃亮之名) due to its superb product quality. In the future, with the expansion of our product genres from MMORPGs, SLGs and female-oriented to strategy cards, idle RPG and other more diversified games, and with a variety of styles and the continuous improvement of our organic model of integrating R&D and operation, the lifecycle of our games is expected to be further extended, which will make a more stable and sustainable contribution to the Group's revenue.

FINANCIAL REVIEW

REVENUE

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

	For the six months ended 30 June			
	2024 RMB million (Unaudited)	% of total revenue	2023 RMB million (Unaudited)	% of total revenue
Development and licensing	62.0	14.1%	100.8	25.1%
– Revenue share	57.5	13.1%	85.1	21.2%
– Non-refundable fixed licensing fees	4.5	1.0%	15.7	3.9%
Integrated game publishing and operation	376.5	85.7%	301.2	74.9%
Others	0.9	0.2%	0.3	0.0%
Total	439.4	100.0%	402.3	100.0%

For the six months ended 30 June 2024, our revenue from development and licensing was RMB62.0 million, representing a decrease of 38.5% from RMB100.8 million for the corresponding period in 2023, and our revenue from integrated game publishing and operation was RMB376.5 million, representing an increase of 25.0% from RMB301.2 million for the corresponding period in 2023.

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

	For the six months ended 30 June			
	2024 RMB million (Unaudited)	% of total revenue	2023 RMB million (Unaudited)	% of total revenue
Chinese mainland	304.0	69.2%	238.3	59.2%
Areas outside Chinese mainland	135.4	30.8%	164.0	40.8%
Total	439.4	100.0%	402.3	100.0%

For the six months ended 30 June 2024, our revenue generated from market in Chinese mainland was RMB304.0 million, representing an increase of 27.6%, from RMB238.3 million for the corresponding period in 2023, and our revenue generated from areas outside Chinese mainland was RMB135.4 million, representing a decrease of 17.4%, from RMB164.0 million for the corresponding period in 2023.

The increase in the revenue was mainly attributable to (i) the revenue of Life Makeover (以閃亮之名) maintained stable performance since it launched in diverse regions, and (ii) the unamortised revenue from sales of in-game virtual items recognized during Reporting Period was increased. The increase was offset by the decreased revenue of certain games which reached their recession stage of 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 periods indicated:

	For the six months ended 30 June			
	2024		2023	
	RMB million (Unaudited)	% of cost of revenue	RMB million (Unaudited)	% of cost of revenue
Commissions charged by distribution channels and payment channels	86.4	73.4%	76.1	72.8%
Bandwidth and servers custody fee	11.8	10.0%	10.3	9.8%
Revenue share to the IP holders	9.6	8.2%	8.2	7.8%
Employee benefit expenses	6.2	5.3%	6.4	6.1%
Depreciation and amortization charges	1.2	1.0%	1.1	1.1%
Others	2.5	2.1%	2.5	2.4%
Total	117.7	100.0%	104.6	100.0%

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels, (ii) bandwidth and servers custody fee and (iii) revenue share to the IP holders. Our cost of revenue increased to RMB117.7 million for the six months ended 30 June 2024 as compared with RMB104.6 million for the corresponding period in 2023, which was mainly attributable to the increase in commissions charged by distribution channels and payment channels in relation to the integrated game publishing and operation business.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2024, the gross profit of the Group increased by 8.1% to RMB321.7 million as compared with RMB297.7 million for the corresponding period in 2023, which was primarily attributable to the increase in our total revenue. The gross profit margin of the Group decreased to 73.2% for the six months ended 30 June 2024 from 74.0% for the corresponding period in 2023, which was basically the same with the comparable periods.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses primarily consisted of (i) employee benefit expenses; (ii) outsourced technical services; and (iii) depreciation and amortization charges. For the six months ended 30 June 2024, our research and development expenses decreased by 11.7% to RMB264.1 million as compared with RMB299.2 million for the corresponding period in 2023, mainly attributable to cost control in employee benefit expenses and outsourced technical services.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the six months ended 30 June 2024, our selling and marketing expenses increased by 5.0% to RMB172.7 million as compared with RMB164.4 million for the corresponding period in 2023, mainly attributable to the increase in promotion and advertising expenses of which games we self-published.

ADMINISTRATIVE EXPENSES

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) depreciation and amortization charges; and (iii) other professional consulting fees. For the six months ended 30 June 2024, our administrative expenses decreased by 9.3% to RMB47.0 million as compared with RMB51.8 million for the corresponding period in 2023, mainly attributable to savings in each administrative expenses and the slight decrease in depreciation and amortization charges..

OTHER INCOME

For the six months ended 30 June 2024, our other income decreased by 50.0% to RMB1.7 million as compared with RMB3.4 million for the corresponding period in 2023, due to the decrease in government grants.

OTHER GAINS/(LOSSES), NET

Our net other gains/(losses) primarily consisted of (i) gains/(losses) on financial assets at fair value through profit or loss and (ii) net foreign exchange losses. For the six months ended 30 June 2024, our net other gains of the Group amounted to RMB3.8 million as compared with net other losses of RMB27.0 million for the corresponding period in 2023, mainly attributable to (i) the gains on financial assets at fair value through profit or loss and (ii) less losses on foreign exchange.

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. For the six months ended 30 June 2024, our net finance income increased by 18.3% to RMB24.6 million as compared with RMB20.8 million for the corresponding period in 2023, mainly attributable to an increase in interest income arising from the balance of US\$ term deposits and bank balance.

INCOME TAX (EXPENSE)/CREDIT

Our income tax (expense)/credit consisted of current income tax expense and deferred income tax, and we incurred total income tax expense of RMB1.1 million for the six months ended 30 June 2024, compared with income tax credit of RMB0.6 million for the corresponding period in 2023, mainly attributable to (i) the reversal of the deferred income tax assets related to unrealized investment net losses in the Reporting Period and (ii) the increase in current income tax expense.

ADJUSTED NET LOSS

The adjusted net loss for the six months ended 30 June 2024 amounted to RMB120.4 million as compared with adjusted net loss of RMB214.9 million for the corresponding period in 2023. Such decrease in loss was primarily attributable to (i) the increase in our total revenue, (ii) cost control in research and development which resulted in reduction of related expenses and (iii) the gains on financial assets at fair value through profit or loss.

The Company believes that adjusted net loss for the six months ended 30 June 2024, as compared with loss for the six months ended 30 June 2023 as reported under the IFRS, can better reflect the underlying operating performance of the Group as well as facilitate period to period comparison. The use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended 30 June 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

	For the six months ended 30 June	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Reconciliation of loss for the period to adjusted net loss for the period:		
Loss for the period	(134.0)	(233.0)
Add back:		
Share-based compensation expenses	<u>13.6</u>	<u>18.1</u>
Adjusted net loss for the period	<u>(120.4)</u>	<u>(214.9)</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.

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

	For the six months ended 30 June		Change %
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)	
Net cash used in operating activities	(68.3)	(160.6)	(57.5)%
Net cash generated from/(used in) investing activities	112.7	(336.5)	(133.5)%
Net cash used in financing activities	(43.5)	(22.4)	94.2%
Net increase/(decrease) in cash and cash equivalents	0.9	(519.5)	(100.2)%
Cash and cash equivalents at the beginning of the period	555.0	1,233.0	(55.0)%
Exchange gains on cash and cash equivalents	2.6	15.4	(83.1)%
Cash and cash equivalents at the end of the period	<u>558.5</u>	<u>728.9</u>	<u>(23.4)%</u>

Operating Activities

For the six months ended 30 June 2024, net cash used in operating activities was RMB68.3 million, compared with RMB160.6 million used in operating activities for the corresponding period in 2023, representing a decrease of 57.5%. The decrease was mainly attributable to (i) an increase in cash inflow generated from our game business and (ii) the decrease in cash outflow used in our employee benefit expenses during the Reporting Period.

Investing Activities

For the six months ended 30 June 2024, net cash generated from investing activities was RMB112.7 million, compared with RMB336.5 million used in investing activities for the corresponding period in 2023, mainly attributable to during the Reporting Period, (i) the financial assets at fair value through profit or loss purchased in previous period matured and were withdrawn and (ii) less cash outflow used in purchases of term deposits.

Financing Activities

For the six months ended 30 June 2024, net cash used in financing activities was RMB43.5 million, compared with RMB22.4 million used in financing activities for the corresponding period in 2023, representing an increase of 94.2%. The increase was mainly attributable to the payment for shares repurchase advance to stockbrokers during the Reporting Period.

GEARING RATIO

As at 30 June 2024, our gearing ratio, which is calculated as total liabilities divided by total assets, was 16.3%, as compared with 14.9% as at 31 December 2023.

CAPITAL EXPENDITURE

Our capital expenditure comprised expenditures on purchase of intangible assets and purchase of property, plant and equipment. For the six months ended 30 June 2024 and 2023, total capital expenditure amounted to RMB16.0 million and RMB2.3 million respectively, representing an increase of 595.7%. The increase was mainly attributable to payment for trade payable of intangible assets purchases in prior period.

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

As at 30 June 2024, 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 30 June 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2024, there was no material acquisitions or disposal of subsidiaries, associates and joint ventures.

CHARGE ON ASSETS

As at 30 June 2024, no property, plant and equipment was pledged.

CONTINGENT LIABILITIES

As at 30 June 2024, we did not have any unrecorded significant contingent liabilities against us.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, we employed approximately 1,017 full-time staff in total, approximately 77.58% 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 and Hainan. For the six months ended 30 June 2024, cost of employees' remuneration and benefit was approximately RMB274.6 million as compared with RMB303.2 million for the six months ended 30 June 2023.

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 our 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, project execution and technical know-how. We constantly review the content of training and follow up with employees to evaluate the effect of such training. Through the training, we help our employees to stay up to date with both industry development, skills and technologies. We also organize workshops, from time to time, to discuss specific topics.

FOREIGN CURRENCY EXCHANGE RISKS

For the six months ended 30 June 2024, 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 six months ended 30 June 2024, the Group has not incurred any significant foreign currency exchange losses in its operations. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 15 July 2020. The net proceeds raised from the Global Offering (after taking account of the exercise of over-allotment option), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK\$2,358.5 million.

The below table sets forth the proposed and actual applications of the net proceeds from the Listing Date to 30 June 2024:

Use of net proceeds	Percentage	Net proceeds from the Global Offering (HK\$ million)	The amount utilized during the Reporting Period (HK\$ million)	As at 30 June 2024		Expected timeline for utilizing the remaining net Proceeds ⁽¹⁾
				Utilized amount (HK\$ million)	Unutilized amount (HK\$ million)	
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	-	943.5	-	-
Expanding game publishing and operation business, particularly in markets outside of Chinese mainland	20%	471.7	-	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	20.5	214.7	257.0	2024.07-2025.07
Expanding the IP reserve and enriching our content offerings	10%	235.8	17.8	232.1	3.7	2024.07-2025.07
Working capital and general corporate uses	10%	235.8	-	235.8	-	-
Total	100%	2,358.5	38.3	2,097.8	260.7	

Note:

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

Since the Listing Date and up to 30 June 2024, approximately HK\$2,097.8 million out of net proceeds from the Global Offering had been used.

As disclosed in the 2023 annual report of the Company, the previous 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 2024. The further delay in the use of such net proceeds was mainly attributable to:

- (i) additional time required for and the more cautious approach taken by the Group to look for suitable acquisition and investment targets due to the unstable and uncertain external factors; and
- (ii) in view of the business environment being affected by the rapid changes in technology and market trends in the past few years, additional time is needed for the Group to identify and conduct business discussions for suitable IPs.

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.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this Results Announcement, the Group did not have any significant events after the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules. During the six months ended 30 June 2024, The Company has complied with all applicable code provisions as set out in the Corporate Governance Code save for the deviation from code provision C.2.1 of the Corporate Governance Code.

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

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this Results Announcement, the Audit Committee consists of three members, namely Mr. Zhu Lin, Mr. Bai Kun and Mr. Ding Zhiping. Mr. Zhu Lin is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 and this Results Announcement. The Audit Committee has no disagreement with the accounting treatment in the unaudited interim financial information and this Results Announcement.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024, 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 4,371,000 Shares on the Stock Exchange at a total consideration of HK\$5,534,660. All the repurchased Shares had been cancelled as at 30 June 2024.

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 2024	2,961,000	1.36	1.15	3,686,790
February 2024	1,410,000	1.48	1.23	1,847,870
Total	4,371,000			5,534,660

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period. As at 30 June 2024, the Company did not hold any treasury shares.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This Results Announcement is published on the websites of the Company (www.zulong.com) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2024 will be dispatched to the Shareholders and published on the above websites in due course.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	439,432	402,256
Cost of revenue	6	<u>(117,686)</u>	<u>(104,519)</u>
Gross profit		<u>321,746</u>	<u>297,737</u>
Research and development expenses	6	(264,104)	(299,244)
Selling and marketing expenses	6	(172,711)	(164,358)
Administrative expenses	6	(47,009)	(51,817)
Net impairment reversal/(losses) on financial assets	6	2,555	(633)
Other income		1,750	3,384
Other gains/(losses), net	5	<u>3,804</u>	<u>(26,996)</u>
Operating loss		<u>(153,969)</u>	<u>(241,927)</u>
Finance income		26,013	23,434
Finance costs		<u>(1,442)</u>	<u>(2,586)</u>
Finance income, net		24,571	20,848
Share of results of investments accounted for using the equity method		<u>(3,483)</u>	<u>(12,516)</u>
Loss before income tax		(132,881)	(233,595)
Income tax (expense)/credit	7	<u>(1,160)</u>	<u>572</u>
Loss for the period		<u>(134,041)</u>	<u>(233,023)</u>
Loss attributable to:			
– Owners of the Company		(134,041)	(233,023)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(134,041)</u>	<u>(233,023)</u>
Loss per share attributable to owners of the Company for the period (in RMB/share)	8		
– Basic		(0.17)	(0.30)
– Diluted		<u>(0.17)</u>	<u>(0.30)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss for the period		<u>(134,041)</u>	<u>(233,023)</u>
Other comprehensive income, net of tax:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		3,145	17,361
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		<u>14,273</u>	<u>51,864</u>
Total comprehensive loss for the period		<u>(116,623)</u>	<u>(163,798)</u>
Attributable to:			
– Owners of the Company		(116,623)	(163,798)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(116,623)</u>	<u>(163,798)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2024

	<i>Note</i>	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		13,258	17,904
Right-of-use assets		31,845	42,703
Intangible assets		106,533	111,500
Investments accounted for using the equity method		57,499	60,982
Prepayments, other receivables and other assets		16,841	14,136
Term deposits		116,212	115,616
Financial assets at fair value through profit or loss		166,102	150,146
Other financial assets at amortized cost		71,591	–
Deferred tax assets		15,617	13,780
		<hr/> 595,498 <hr/>	<hr/> 526,767 <hr/>
Current assets			
Trade receivables	<i>10</i>	106,716	110,081
Prepayments, other receivables and other assets		125,851	99,967
Financial assets at fair value through profit or loss		579,276	790,271
Term deposits		694,222	635,105
Restricted cash		–	26,399
Cash and cash equivalents		558,478	555,033
		<hr/> 2,064,543 <hr/>	<hr/> 2,216,856 <hr/>
Total assets		<hr/> 2,660,041 <hr/>	<hr/> 2,743,623 <hr/>

	<i>Note</i>	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		55	55
Share premium		6,980,287	6,964,953
Other reserves		(1,620,658)	(1,631,263)
Accumulated losses		(3,133,853)	(2,999,812)
		<u>2,225,831</u>	<u>2,333,933</u>
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u>2,225,831</u>	<u>2,333,933</u>
Liabilities			
Non-current liabilities			
Contract liabilities	4	10,726	9,915
Lease liabilities		761	15,002
Deferred income tax liabilities		2,903	1,233
		<u>14,390</u>	<u>26,150</u>
Current liabilities			
Trade and other payables	11	129,365	154,320
Contract liabilities	4	253,533	194,187
Current income tax liabilities		5,767	5,740
Lease liabilities		31,155	29,293
		<u>419,820</u>	<u>383,540</u>
Total liabilities		<u>434,210</u>	<u>409,690</u>
Total equity and liabilities		<u>2,660,041</u>	<u>2,743,623</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Net cash used in operating activities		<u>(68,313)</u>	<u>(160,608)</u>
Net cash generated from/(used in) investing activities		<u>112,712</u>	<u>(336,547)</u>
Net cash used in financing activities		<u>(43,549)</u>	<u>(22,365)</u>
Net increase/(decrease) in cash and cash equivalents		<u>850</u>	<u>(519,520)</u>
Cash and cash equivalents at the beginning of the period		555,033	1,232,999
Exchange gains on cash and cash equivalents		<u>2,595</u>	<u>15,404</u>
Cash and cash equivalents at end of the period		<u><u>558,478</u></u>	<u><u>728,883</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2024 is presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) unless otherwise indicated. The interim condensed consolidated financial information for the six months ended 30 June 2024 has been approved on 23 August 2024.

This interim condensed consolidated financial information for the six months ended 30 June 2024 has not been audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standards (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. This interim condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2023 (the “**2023 Financial Statements**”), which have been prepared in accordance with IFRS Accounting Standards.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the 2023 Financial Statements.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the current Reporting Period commencing 1 January 2024:

Standards and amendments	Effective for annual periods beginning on or after
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 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7 – Supplier finance Arrangements	1 January 2024

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

3 ACCOUNTING POLICIES (CONTINUED)

(b) New standards and interpretations not yet adopted

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

Standards and amendments	Effective for annual periods beginning on or after
Amendments to IAS 21 on Lack of Exchangeability	1 January 2025
Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

4 SEGMENT INFORMATION AND REVENUE

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

As at 30 June 2024 and 31 December 2023, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended 30 June 2024 and 2023 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.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Online game revenue		
– Development and licensing		
<i>Revenue share</i>	57,478	85,045
<i>Non-refundable fixed licensing fees</i>	4,537	15,745
– Integrated game publishing and operation	376,527	301,135
– Others	890	331
	439,432	402,256
	439,432	402,256
Timing of revenue recognition		
– At a point in time	57,773	85,376
– Over time	381,659	316,880
	439,432	402,256
	439,432	402,256

4 SEGMENT INFORMATION AND REVENUE (CONTINUED)

Revenues of approximately RMB62,237,000 and RMB100,764,000 for the six months ended 30 June 2024 and 2023, respectively were derived from five largest single external customers.

During the six months ended 30 June 2024, revenue of approximately RMB47,742,000 was derived from a single external customer accounted for more than 10% of total revenue.

During the six months ended 30 June 2023, revenue of approximately RMB67,113,000 was derived from a single external customer accounted for more than 10% of total revenue.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue segment by geography		
Chinese mainland	303,983	238,245
Areas outside Chinese mainland	135,449	164,011
	439,432	402,256

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contract costs		
Current		
Costs to fulfil contracts for online game revenue	54,335	45,225
Contract liabilities		
Current		
Unamortised revenue from sales of in-game virtual items	238,518	176,869
Revenue share received in advance	3,198	4,577
Unamortised balance of the non-refundable fixed licensing fees	11,817	12,741
	253,533	194,187
Non-Current		
Unamortised balance of the non-refundable fixed licensing fees	10,726	9,915
	264,259	204,102

4 SEGMENT INFORMATION AND REVENUE (CONTINUED)

Contract costs are mainly related to contract fulfilment costs, which primarily consist of unamortized commissions charged by the distribution channels. They are capitalized as contract fulfilment costs and amortized over their respective Player Relationship Periods, which is consistent with the pattern of recognition of the associated revenue.

Contract liabilities primarily represent the unamortized revenue from sales of in-game virtual items in the Group's online game services, the non-refundable fixed licensing fees and revenue share received in advance from customers, which the Group continued to have obligations as at the reporting date.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current Reporting Period relates to carried-forward contract liabilities:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>		
Unamortised revenue from sales of in-game virtual items	176,646	47,189
Revenue share received in advance	1,568	1,816
Unamortised balance of the non-refundable fixed licensing fees	3,170	5,351
	<u>181,384</u>	<u>54,356</u>

5 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gains/(losses) on financial assets at fair value through profit or loss	10,784	(8,583)
Foreign exchange losses, net	(9,597)	(18,071)
Others	2,617	(342)
	<u>3,804</u>	<u>(26,996)</u>

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Employee benefit expenses	274,568	303,213
Promotion and advertising expenses	144,971	128,915
Commissions charged by distribution channels and payment channels	86,444	76,105
Outsourced technical services	29,949	38,478
Depreciation and amortization charges	25,438	32,924
Bandwidth and servers custody fee	11,820	10,305
Revenue share to the IP holders	9,600	8,197
Utilities and office expenses	8,401	11,059
Other professional consulting fees	2,409	2,491
VAT input transfer out and tax surcharges	2,340	1,876
Travelling expenses	2,297	2,347
Auditors' remuneration	1,000	1,230
– Audit services	1,000	1,230
– Non-audit services	–	–
Net impairment (reversal)/losses on financial assets	(2,555)	633
Others	2,273	2,798
	598,955	620,571

7 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the six months ended 30 June 2024 and 2023 is analyzed as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax expense	1,327	560
Deferred income tax	(167)	(1,132)
	1,160	(572)

(a) Cayman Islands and British Virgin Islands (“BVI”) Income Tax

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

(b) Hong Kong Income Tax

The entity incorporated in Hong Kong is subject to Hong Kong profit tax at rate of 16.5% on the assessable profits for the six months ended 30 June 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

7 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2024, based on the existing legislation, interpretations and practices in respect thereof.

Tianjin Loong Technology Co., Ltd. (祖龍(天津)科技股份有限公司) (“**Tianjin Loong**”) qualified as a “High and New Technology Enterprise” (“**HNTE**”) under the EIT law in 2017. In November 2023, Tianjin Loong renewed its qualification. Tianjin Loong is entitled to a preferential income tax rate of 15% on its assessable profits for three-year periods from November 2023 to November 2026.

Huai’an Loong Technology Co., Ltd. (淮安祖龍科技有限公司) (“**Huai’an Loong**”) qualified as a HNTE for a three-year period since 2018 and renewed its qualification in November 2021 for another three-year period. Huai’an Loong is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from November 2021 to November 2024.

Beijing Fantasy Mermaid Technology Limited (北京幻想美人魚科技有限公司) (“**Beijing Fantasy Mermaid**”) qualified as a HNTE for a three-year period since 2019 and renewed its qualification in December 2022 for another three-year period. Beijing Fantasy Mermaid is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from December 2022 to December 2025.

Chengdu Fantasy Mermaid Technology Limited (成都幻想美人魚科技有限公司), Beihai Loong Venture Capital Co., Ltd. (北海祖龍創業投資有限公司) and Beihai Longhao Venture Capital Co., Ltd. (北海龍灝創業投資有限公司) met the requirements of the revised catalogue of industries whose development are to be encouraged in the country’s western regions. They are entitled to a preferential income tax rate of 15% on their assessable profits.

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2023 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits (“**Super Deduction**”). 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 periods.

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Loss attributable to owners of the Company (RMB’000)	(134,041)	(233,023)
Weighted average number of ordinary shares in issue (in thousands)	786,169	783,926
Basic loss per share (in RMB/share)	<u>(0.17)</u>	<u>(0.30)</u>

8 LOSS PER SHARE (CONTINUED)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2024 and 2023, the Company has two categories of dilutive potential ordinary shares: the restricted share unit (“RSU”) and the share options.

For the purpose of calculating diluted loss per share for the six months ended 30 June 2024 and 2023, RSUs and share options are assumed to have been converted into ordinary shares with no corresponding change in net loss attributable to ordinary shareholders. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2024 and 2023.

9 DIVIDENDS

No dividend has been declared or paid by the Company for the six months ended 30 June 2024 and 2023.

10 TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	117,151	121,971
Less: allowance for impairment of trade receivables	<u>(10,435)</u>	<u>(11,890)</u>
Trade receivables – net	<u><u>106,716</u></u>	<u><u>110,081</u></u>

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Related parties	32,268	42,654
Third parties	<u>84,883</u>	<u>79,317</u>
	<u><u>117,151</u></u>	<u><u>121,971</u></u>

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	70,663	62,419
United States Dollar	41,807	54,279
Hong Kong Dollar	4,585	5,173
Others	<u>96</u>	<u>100</u>
	<u><u>117,151</u></u>	<u><u>121,971</u></u>

10 TRADE RECEIVABLES (CONTINUED)

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 3 months	88,152	84,254
3 to 6 months	10,520	11,755
6 months to 1 year	8,199	24,851
Over 1 year	10,280	1,111
	<u>117,151</u>	<u>121,971</u>

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

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Beginning of the period	(11,890)	(2,510)
Provision for impairment	(47)	(640)
Reversal of impairment	1,502	7
End of the period	<u>(10,435)</u>	<u>(3,143)</u>

The creation and release of provision for impaired receivables have been included in “Net impairment reversal/ (losses) on financial assets” in the interim condensed consolidated statement of profit or loss.

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

11 TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	79,271	67,186
Payroll liabilities	36,703	60,844
Tax payables	3,708	15,564
Others	9,683	10,726
	<u>129,365</u>	<u>154,320</u>

11 TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Related parties	13,893	9,728
Third parties	65,378	57,458
	<u>79,271</u>	<u>67,186</u>

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 6 months	54,886	48,595
6 months to 1 year	8,096	14,383
Over 1 year	16,289	4,208
	<u>79,271</u>	<u>67,186</u>

12 SUBSEQUENT EVENTS

On 3 July 2024, the Group subscribed for the wealth management product of US TREASURY NOTE (“**bonds**”) through Morgan Stanley Asia with principal subscription amount of US\$10.1 million (“**Bonds Subscription**”). The purpose of the Bonds Subscription is for effective utilization of temporary idle funds, enhancement of the capital gain of the Group according with the objectives of ensuring capital safety and liquidity and meeting the working capital requirements of the Group’s daily operations. The expected maturity date of the bonds would be 15 November 2033 (which can be sold in the secondary market at any time). The expected annualized yield of the bonds is 4.43%. Except for disclosed elsewhere in this report, there are no other material subsequent events undertaken by the Group after 30 June 2024.

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
“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)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Global Offering”	the initial public offering of the Shares for subscription by the public and the institutional, professional, corporate and other investors
“Group”, “we” or “us”	the Company and all of its subsidiaries 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\$”	Hong Kong dollars, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	IFRS Accounting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 15 July 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Macao”	the Macao Special Administrative Region of the PRC

“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 C3 to the Listing Rules
“NPC(s)”	Non-player character(s)
“PRC”	the People’s Republic of China
“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 period for the six months ended 30 June 2024
“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 and amended by the Company on 5 February 2021 and 22 December 2022, respectively
“Share(s)”	ordinary share(s) of US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SLG”	simulation games, which are generally designed to closely simulate aspects of a real or fictional reality
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	for the purpose of this Results Announcement, has the meaning ascribed to it in section 15 of the Companies ordinance (Chapter 622 of the Laws of Hong Kong) and includes companies whose financial results have been consolidated and accounted for as the subsidiaries of our Company by virtue of certain contractual arrangements

“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, 23 August 2024

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.