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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)

REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE PERFECT WORLD GAME COOPERATION FRAMEWORK AGREEMENT

As disclosed in the Prospectus, the Group entered into the Perfect World Game Cooperation Framework Agreement with the Perfect World Group on 10 June 2020, pursuant to which Perfect World Group agreed to, among others, cooperate in the development and operation of certain game(s) with our Group in return for licensing fees and revenue sharing. Based on the actual transaction amount of revenue sharing in June 2020 under the Perfect World Game Cooperation Framework Agreement which is generally available to the Company provided by the game publisher up to approximately one month after the closing of the relevant period, we noted after the issue of Prospectus that the revenue sharing incurred by our Group to the Perfect World Group for the six months ended 30 June 2020 is approaching the existing annual cap for the year ending 31 December 2020. In view of the recent growth and popularity of the game under the Perfect World Game Cooperation Framework Agreement, it is expected that the Existing Annual Caps will be insufficient to satisfy the amount of the revenue sharing to be incurred by our Group to the Perfect World Group for the three years ending 31 December 2022.

As the highest applicable percentage ratio for each of the three years ending 31 December 2022 in respect of the annual caps for the continuing connected transactions contemplated under the Perfect World Game Cooperation Framework Agreement, is expected to be 0.1% or more but less than 5% on an annual basis, such transactions contemplated under the Perfect World Game Cooperation Framework Agreement is only subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

BACKGROUND

As disclosed in the Prospectus, the Group entered into the Perfect World Game Cooperation Framework Agreement with the Perfect World Group on 10 June 2020, pursuant to which Perfect World Group agreed to, among others, cooperate in the development and operation of certain game(s) with our Group in return for licensing fees and revenue sharing.

Under the Perfect World Game Cooperation Framework Agreement, the revenue sharing to be incurred by our Group to the Perfect World Group shall be determined upon arm's length negotiation between the parties with reference to (i) the quality and popularity of the original IP; (ii) the prevailing fee structure and pricing terms of comparable IPs in the market; and (iii) the potential revenue and profitability from the game. The term of Perfect World Game Cooperation Framework Agreement commenced on the Listing Date and will expire on 31 December 2022. For further details, please refer to "Connected Transactions – Non-exempt Continuing Connected Transactions – 2. Game Cooperation with Perfect World Group" in the Prospectus.

The annual caps for the transactions contemplated under the Perfect World Game Cooperation Framework Agreement for the three years ending 31 December 2022 (the "**Existing Annual Caps**") are RMB9.50 million, RMB6.50 million and RMB5.30 million, respectively, as disclosed in the Prospectus.

THE REVISED ANNUAL CAPS

Due to the social distancing measures taken in response to the COVID-19 pandemic, the players of the game under the Perfect World Game Cooperation Framework Agreement, namely Fantasy Zhuxian (夢幻誅仙), spent more time playing this game for entertainment at home. In light of such situation, additional promotion effort was made by the game publisher of this game recently, causing an increase in the average playing time and average revenue per month per monthly active account ("**ARPU**") of this game. Accordingly, notwithstanding that Fantasy Zhuxian (夢幻誅仙) is currently at maturity stage of its game life cycle during which the number of game players and the gross billings generated typically remain stable or decline, the ARPU of Fantasy Zhuxian (夢幻誅仙) has recently increased, and the declining trend of Fantasy Zhuxian (夢幻誅仙) in terms of revenue sharing incurred by our Group to the Perfect World Group has slowed down.

Based on the actual transaction amount in June 2020 under the Perfect World Game Cooperation Framework Agreement which is generally available to the Company provided by the game publisher up to approximately one month after the closing of the relevant period, we noted after the issue of Prospectus that the revenue sharing of Fantasy Zhuxian (夢幻誅仙) incurred by our Group to the Perfect World Group amounted to approximately RMB8.39 million for the six months ended 30 June 2020, which is approaching the existing annual cap for the year ending 31 December 2020 of RMB9.5 million.

In view of the recent growing popularity of Fantasy Zhuxian (夢幻誅仙), it is expected that the Existing Annual Caps will be insufficient to satisfy the amount of the revenue sharing to be incurred by our Group to the Perfect World Group for the three years ending 31 December 2022. On 28 August 2020, the Board has resolved to revise the Existing Annual Caps as follows:

	For the year ending 31 December		
	2020	2021	2022
	<i>RMB in million</i>		
Revenue sharing	17.70	10.00	7.20

The revised annual caps (the “**Revised Annual Caps**”) for the transactions contemplated under the Perfect World Game Cooperation Framework Agreement for the three years ending 31 December 2022 set out above are determined based on (i) the recent increase in the average playing time and ARPU of Fantasy Zhuxian (夢幻誅仙); (ii) the expected slowed down declining trend in terms of revenue sharing incurred by our Group to the Perfect World Group for the remaining six months ending 31 December 2020; (iii) the corresponding adjustment to the annual caps for the two years ending 31 December 2022 considering the current life cycle of Fantasy Zhuxian (夢幻誅仙); and (iv) certain buffer to cater for the cooperation needs with Perfect World Group for Fantasy Zhuxian (夢幻誅仙) from time to time.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE PERFECT WORLD GAME COOPERATION FRAMEWORK AGREEMENT

As disclosed in the Prospectus, the Perfect World Group owns certain exclusive IP rights which are suitable to be adapted into mobile or PC games and has a proven track record of producing top turn-based game with a loyal following of game players in the PRC. Perfect World Group and the Group leverage on each other’s competitive advantages in game development. The Group entered into a development and operation agreement in relation to Fantasy Zhuxian (夢幻誅仙) with the Perfect World Group on 10 August 2015 (as supplemented by supplemental agreements on 1 October 2016 and 1 February 2020, respectively), pursuant to which the Perfect World Group agreed to grant us a nonexclusive license to develop a mobile version of Fantasy Zhuxian (夢幻誅仙) and its exclusive right of operation. We have developed the licensed IPs and adapted the PC version of Fantasy Zhuxian (夢幻誅仙) into one of the pioneering real 3D turn-based mobile MMORPG.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Perfect World Game Cooperation Framework Agreement have been and will be entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms and conditions of the Perfect World Game Cooperation Framework Agreement and the Revised Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Perfect World is substantial Shareholders of the Company, members of the Perfect World Group are therefore connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Perfect World Game Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for each of the three years ending 31 December 2022 in respect of the Revised Annual Caps is expected to be 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the Perfect World Game Cooperation Framework Agreement is only subject to the reporting, announcement and annual review requirements but is exempted from the circular (including independent financial advice) and the independent shareholders’ approval requirements under Chapter 14A.76(2) of the Listing Rules.

Mr. Yan Xinguang, being chairman at one of the subsidiaries within the Perfect World Holding Group, is deemed to have material interests in the continuing connected transactions contemplated under the Perfect World Game Cooperation Framework Agreement and has abstained from voting on the relevant resolution at the Board meeting for approval of the Revised Annual Caps. Other than the Director mentioned above, none of the other Directors have a material interest in such continuing connected transactions.

GENERAL INFORMATION OF THE COMPANY AND PERFECT WORLD

The Company is a leading mobile game developer in China with proven capabilities in developing high-quality mobile games with excellent market reception and a pioneer in China's mobile game industry focusing on developing high-quality mobile MMORPGs. The Company's predecessor was Archosaur Studio, which was founded in 1997. With profound game industry experience spanning the eras of single-player games, client games, web games and mobile games, the Company has continually launched high-quality games with market leading technology since founded.

Perfect World is primarily engaged in research, development, distribution and operation of online games; production, distribution of TV dramas and movies and derivative business; variety entertainment business; celebrity agent services and related services. The ultimate beneficial owner of Perfect World is Perfect World Holding.

DEFINITIONS

“Board”	board of the Directors of the Company
“Company”	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 9990)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“MMORPGs”	massively multiplayer online role-playing game, a genre of games that combine role-playing games and massively multiplayer online games in which a larger number of players interact with one another within a virtual world
“percentage ratio”	has the meaning ascribed to such term under the Listing Rules
“Perfect World”	Perfect World Co., Ltd.* (完美世界股份有限公司), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002624)

“Perfect World Game Cooperation Framework Agreement”	a game cooperation framework agreement entered between the Group and the Perfect World Group on 10 June 2020
“Perfect World Group”	Perfect World and/or its respective affiliate(s) and/or subsidiaries
“Perfect World Holding”	Perfect World Holding Group Co., Ltd.* (完美世界控股集團有限公司), a company established under the laws of the PRC with limited liability on 14 August 2013
“Perfect World Holding Group”	Perfect World Holding and/or its respective affiliate(s)
“Prospectus”	the prospectus of the Company dated 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

* For identification purpose only

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

Beijing, China, 28 August 2020

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. Yan Xinguang as Non-executive Directors, and Mr. Ge Xuan, Mr. Zhu Lin and Mr. Ding Zhiping as Independent Non-executive Directors.