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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Archosaur Games Inc., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

(1) PROPOSED ADOPTION OF THE RSU SCHEME
(2) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME
**(3) PROPOSED RENEWAL OF CONTINUING
CONNECTED TRANSACTIONS**
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held on Friday, 9 December 2022 at 2:00 p.m. at Great meeting room, 8F, No. 8, Hangxing Science Park, No. 11 HePingLi East Street, Dongcheng District, Beijing, the PRC is set out on pages 77 to 79 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zulong.com) respectively.

Whether or not you intend to attend the EGM, you are required to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish.

The translation into Chinese language of this circular is for reference only. In case of any inconsistency, the English version shall prevail.

22 November 2022

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Adoption Date”	the date on which the RSU Scheme is to be considered and, if thought fit, to be adopted by the Shareholders at the EGM
“associate(s)”	has the same meaning as defined in the Listing Rules
“Board”	the board of Directors (and for the purpose of the RSU Scheme and the Share Option Scheme, or a duly authorized committee or person(s) delegated with the power and authority by the board of Directors to administer the RSU Scheme and the Share Option Scheme)
“Business Day”	any day (excluding Saturday and Sunday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities
“close associate(s)”	has the meaning as defined in the Listing Rules
“Company”	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 9990)
“connected person”	has the meaning as defined in the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning as defined in the Listing Rules
“Cresc Chorus”	Cresc Chorus Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
“Director(s)”	the director(s) of the Company

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“EGM”	the extraordinary general meeting of the Company to be held at Great meeting room, 8F, No. 8, Hangxing Science Park, No. 11 HePingLi East Street, Dongcheng District, Beijing, the PRC on Friday, 9 December 2022 at 2:00 p.m., to consider and, if thought fit, to approve the resolution contained in the notice of the meeting which is set out on pages 77 to 79 of this circular, or any adjournment thereof
“Eligible Employee(s)”	any full-time employee(s) (excluding any director) of the Company or the subsidiaries
“Eligible Participant(s)”	any Eligible Employee who may be invited by the Board to take up Options
“Eligible Person(s)”	the person(s) eligible to receive RSUs under the RSU Scheme, who are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any member of the Group
“Grant Date”	the date on which RSUs are granted to a Selected Person under the RSU Scheme pursuant to a Grant Letter
“Grant Letter”	an offer to grant RSUs to Selected Person by a letter
“Grantee”	any Eligible Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his Personal Representative(s) who is/are entitled to any Option in consequence of the death of the original Grantee
“Group”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC

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“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, namely Mr. Bai Kun, Mr. Zhu Lin and Mr. Ding Zhiping, which was established to advise the Independent Shareholders in relation to the renewed Tencent Game Cooperation Framework Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder in relation to exclusive publishing and operation of the Group’s games
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the renewed Tencent Game Cooperation Framework Agreement for the transactions contemplated thereunder in relation to exclusive publishing and operation of the Group’s games by the Tencent Group (including the proposed annual caps)
“Independent Shareholders”	Shareholders other than Tencent and its associates
“IP”	intellectual property
“Latest Practicable Date”	18 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 Main Board of the Stock Exchange as amended, supplemented or otherwise modified from time to time
“LuckQ”	LuckQ Technology Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company

DEFINITIONS

“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
“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 Games”	Perfect World Games Co., Ltd.* (完美世界遊戲有限責任公司), a company established under the laws of the PRC with limited liability on 14 November 2008
“Perfect World Group”	Perfect World and/or its respective affiliate(s) and/or subsidiaries
“Perfect World Interactive”	Perfect World Interactive Entertainment Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability and holds 16.46% of the Shares as at the Latest Practicable Date
“New Rules”	the amendments to the Listing Rules to implement the proposals of the “ <i>Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment</i> ” published on 29 July 2022
“Offer”	an offer for the grant of an Option
“Offer Date”	the date, which must be a Business Day, on which an Offer is made to an Eligible Participant
“Option(s)”	option(s) to subscribe for the Shares granted pursuant to the Share Option Scheme
“Outstanding Options”	the outstanding Options which remain unexercised as at the date of the EGM

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“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee (being an individual), is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised)
“Pre-IPO RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Board on 1 April 2020
“Proposed Amendments”	the proposed amendments to the Share Option Scheme as set out in this circular
“Prospectus”	the prospectus of the Company dated 30 June 2020
“Related Entity Participants”	directors and employees of the holding companies, subsidiaries or associates of the Company
“RMB”	Renminbi, legal currency of the PRC
“RSU Scheme”	the restricted share unit scheme of the Company to be approved and adopted by the Shareholders on Adoption Date, in its present form or as may be amended from time to time
“RSU(s)”	restricted share unit(s) under the RSU Scheme
“Selected Person(s)”	Eligible Persons(s) selected by the Board for participation in the RSU Scheme
“Service Providers”	persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of US\$0.00001 in the ordinary share capital of the Company, or, if there has been a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of the Company, shares being the ordinary shares of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction
“Share Option Scheme”	the share option scheme adopted by the Shareholder on 5 February 2021 in its present form or as may be amended from time to time
“Shareholder(s)”	holder(s) of the 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
“subsidiaries”	the companies which are for the time being and from time to time the subsidiaries (within the meaning given to it in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong, the British Virgin Islands, the People’s Republic of China or elsewhere, and “Subsidiary” shall be construed accordingly
“Tencent”	Tencent Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700)
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a company established in the PRC and a wholly-owned subsidiary of Tencent

DEFINITIONS

“Tencent Game Cooperation Framework Agreement”	a game cooperation framework agreement entered into between the Group and the Tencent Group on 22 June 2020 for the term commencing on the Listing Date and expiring on 31 December 2022 and renewed by the parties on 4 November 2022, which is still subject to the approval by the Independent Shareholders
“Tencent Group”	Tencent and its subsidiaries from time to time
“Trustee”	the trustee to be appointed by the Board to act as the trustee for the benefit of specified Selected Person, which will be independent from and not connected with the Company as prescribed under Chapter 14A of the Listing Rules or its connected persons
“%”	percentage

LETTER FROM THE BOARD

ARCHOSAUR GAMES INC.

祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

Executive Directors:

Mr. Li Qing (*Chairman*)

Mr. Bai Wei

Non-executive Directors:

Ms. Liu Ming

Mr. Lu Xiaoyin

Independent Non-executive Directors:

Mr. Bai Kun

Mr. Zhu Lin

Mr. Ding Zhiping

Registered office in the Cayman Islands:

Harneys Fiduciary (Cayman) Limited

4/F, Harbour Place

103 South Church Street, P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

Headquarters:

4/F, No. 8 Hangxing Science Park

No. 11 HePingLi East Street

Dongcheng District, Beijing

PRC

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai, Hong Kong

22 November 2022

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED ADOPTION OF THE RSU SCHEME
(2) PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME
(3) PROPOSED RENEWAL OF CONTINUING
CONNECTED TRANSACTIONS
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2022 in respect of (i) the proposed adoption of the RSU Scheme; and (ii) the proposed amendments to the Share Option Scheme, and the announcement of the Company dated 4 November 2022 in respect of, among other things, the proposed renewal of the Tencent Game Cooperation Framework Agreement.

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The purpose of this circular is to, among other things, provide you with the notice of the EGM and the information in respect of the proposed adoption of the RSU Scheme, the proposed amendments to the Share Option Scheme (the “**Proposed Amendments**”) and the proposed renewal of the Tencent Game Cooperation Framework Agreement as well as the proposed annual caps for the continuing connected transactions contemplated thereunder in relation to exclusive publishing and operation of the Group’s games by the Tencent Group for the three years ending 31 December 2025 to seek approval of the Shareholders.

2. PROPOSED ADOPTION OF THE RSU SCHEME

The purpose of the RSU Scheme is to incentivize the Directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. As at the Latest Practicable Date, the Eligible Persons under the RSU Scheme include the Directors (independent non-executive Directors excluded), senior management and existing employees. None of the Eligible Persons are the Related Entity Participants or Service Providers. The Eligible Persons include any Eligible Employees whose contribution are crucial to the success and growth of the Group. The Board will take into account, among other things, whether contribution has been made to or will be made to the Group in terms of operation or financial performance, prospects and growth of the Group in order to achieve the purpose of the RSU Scheme before granting any RSU(s) to an Eligible Person. The Board’s discretion to prescribe a vesting period for which the RSU(s) must be held or performance target (if any) to be achieved before the RSU(s) can be vested and become convertible under the RSU Scheme will provide the Board with more flexibility in setting the terms and conditions of the RSU(s) under particular circumstance of each grant so as to achieve the purpose of the RSU Scheme.

According to the New Rules, RSU(s) granted to employee participants may be subject to a shorter vesting period under the specific circumstances as set out in the scheme documents. The Company has specified a minimum vesting period of granted RSU(s) to the Selected Person under the RSU Scheme (the “**Period**”) which will not be less than 12 months. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of RSUs, all RSUs shall be convertible in installments subject to the Period as follows:

- i. 40% of the RSUs can be converted one (1) year after the Grant Date;
- ii. 30% of the RSUs can be converted two (2) years after the Grant Date; and
- iii. the remaining 30% of the RSUs can be converted three (3) years after the Grant Date.

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Besides, unless otherwise determined by the Board and stated in the offer to a participant, the conversion of any RSUs is subject to the achievement of the performance targets (if any), as described in the Grant Letter at the time of the grant of the RSUs, which shall be based on the performance of the participants in terms of factors including but not limited to, as and when appropriate, research and development outcome, sales performance and punctuality and/or the operating or financial performance of the Group and the satisfaction of which shall be assessed and determined by the Board at its sole discretion. In addition to any conditions of vesting stated in the Grant Letter, RSUs shall only be vested if the participant is still an Eligible Person at the date of vesting as set out in the Grant Letter. For the avoidance of doubt, if a person ceases to be an Eligible Person, notwithstanding the grounds, any RSUs not yet vested shall be immediately forfeited. In the event the Board determines that the participant (a) has committed a misconduct; (b) is involved in a material misstatement in the Company's financial statements; (c) has committed a breach of the employment contract of the participant; or (d) the employment of the participant has been terminated on the grounds of misconduct, the Board may at its absolute discretion forfeit all the outstanding RSUs granted to the relevant participant but not yet vested and converted without the approval of the relevant participant.

Conditions Precedent of the RSU Scheme

The RSU Scheme shall take effect on the date of its adoption at the EGM and is conditional upon (i) the passing of the necessary resolution to approve and adopt the RSU Scheme by the Shareholders at the EGM; and (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued in respect of RSUs granted under the RSU Scheme.

As at the Latest Practicable Date, the Company has a total of 805,754,630 Shares in issue. Assuming that there is no change to the issued share capital of the Company between the Latest Practicable Date and the Adoption Date, the aggregate number of Shares which may be issued in respect of all RSUs to be granted under the RSU Scheme shall not exceed 20,000,000 Shares (i.e. representing approximately 2.5% of the total number of Shares in issue of the Company). The total number of Shares which may be allotted and issued in respect of all Options and RSUs (for this purpose, Options or RSUs lapsed in accordance with the terms of the Share Option Scheme and the RSU Scheme will not be regarded as utilized for the purpose of calculating the General Scheme Limit (as defined hereinafter)) to be granted under the Share Option Scheme and the RSU Scheme must not in aggregate exceed 60,775,500 Shares (i.e. representing approximately 7.5% of the total number of Shares in issue as at the Adoption Date) ("**General Scheme Limit**"). In compliance with, and so long as so required by the New Rules, the total number of Shares which may be allotted and issued in respect of all options and awards to be granted under the RSU Scheme, the Share Option Scheme and any other share schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the scheme mandate limit.

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Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued in respect of all RSUs to be granted under the RSU Scheme. The RSU Scheme will take effect on the date of its adoption at the EGM subject to such listing approval aforementioned.

The Company may appoint Trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Company may (i) allot and issue Shares to the Trustee to be held by the Trustee for the benefit of specified Participants and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon conversion. According to the New Rules, the trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules. None of the Directors is and will be trustee of the RSU Scheme or have any direct or indirect interest in the Trustee of the RSU Scheme. With respect to the operation of the RSU Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

A summary of the principal terms of the RSU Scheme is set out in Appendix I to this circular. A copy of the RSU Scheme will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.zulong.com) for a period of not less than 14 days before the date of the EGM and is also made available for inspection at the EGM.

3. PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme at the extraordinary general meeting on 5 February 2021. Details of the Share Option Scheme are set out in the circular of the Company dated 19 January 2021. 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.

The Directors propose to seek approval from the Shareholders at the EGM for certain amendments to be made to the Share Option Scheme to, among other things, bring the Share Option Scheme in alignment with the New Rules and make certain minor housekeeping amendments to the Share Option Scheme for the purpose of clarifying existing practice and making consequential amendments. The Board proposes that the Proposed Amendments shall apply to the Outstanding Options and Options to be granted under the Share Option Scheme with effect from the date of the EGM.

As the Proposed Amendments to the Share Option Scheme are considered to be material in nature, the Proposed Amendments to the Share Option Scheme will be subject to approval by the Shareholders at the EGM. Accordingly, an ordinary resolution will be proposed at the EGM as set out in the notice of EGM in this circular to give effect to the proposals as described above.

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Details of the Proposed Amendments to the Share Option Scheme is set out in Appendix II to this circular. The Board considers that the Proposed Amendments are in compliance with the requirements under the New Rules.

4. PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On 4 November 2022, the Group and the Tencent Group renewed the Tencent Game Cooperation Framework Agreement for a term of three years from 1 January 2023 to 31 December 2025, and set the annual caps for the transactions contemplated thereunder for the three years ending 31 December 2025. Pursuant to the Listing Rules, the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group as well as the proposed annual caps are subject to the approval by the Independent Shareholders.

Major terms of the renewed Tencent Game Cooperation Framework Agreement in respect of exclusive publishing and operation of the Group's games by the Tencent Group are set out below:

Renewal date:	4 November 2022
Parties:	(i) the Company (for itself and on behalf of the Group) (ii) Tencent Computer (for itself and on behalf of the Tencent Group)
Term of the agreement:	Subject to the approval by the Independent Shareholders, the renewed Tencent Game Cooperation Framework Agreement is for a term of three years from 1 January 2023 to 31 December 2025
Subject matter:	Pursuant to the renewed Tencent Game Cooperation Framework Agreement, the Group shall engage the Tencent Group to publish, operate and promote certain games self-developed by the Group in designated regions. The Tencent Group shall have the exclusive rights to publish and operate the Group's games in designated regions. The Group agreed to participate in certain aspects of the operation of the games licensed to the exclusive publishing and operation of the Tencent Group, which includes external maintenance, customer service (such as, attending to game enquiries, in-game speech and image reviews), production of graphics, theme songs and advertising images, operation of the users' community, marketing and public relations.

LETTER FROM THE BOARD

Fee arrangement and settlement: The fees incurred by the Tencent Group for the exclusive publishing and operation of games shall be calculated by the following basis:

- fixed licensing fees;
- revenue/profit sharing;
- prepaid revenue/profit sharing between the parties; and/or
- game performance bonus, which will be determined by assessing one or several aspects of Group's games, including but not limited to the revenue/profit generating from games, popularity and the rating of games on various platforms.

Pricing policy:

The pricing of the transactions will be determined with reference to (i) the test results of the Group's games based on Tencent's internal evaluation system with regards to the nature, quality and the expected popularity in the market; (ii) potential user traffic and gross billings arising from the platforms operated by the Tencent Group; and (iii) the fee arrangements at the prevailing terms in the market. Based on the fee quotes provided by other independent third-party service providers, the Company will be able to ensure that the fees and revenue to be incurred by the Tencent Group to the Group represent the prevailing market price and on normal commercial terms that are no less favorable to the Group.

The fee arrangements of such transactions may consist of any of the following: (i) fixed licensing fees that may be paid by separate instalments that are hedged against the progression of the commercial operation of the game; (ii) revenue sharing at a fixed proportion; and (iii) initial prepaid fees that shall be deductible for the subsequent revenue sharing.

LETTER FROM THE BOARD

Annual Caps

Historical Transaction Amounts

Historical transaction amount of the transactions contemplated under the Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group for the two years ended 31 December 2021 and for the nine months ended 30 September 2022 is set out below:

	Year ended 31 December 2020 (RMB million)	Year ended 31 December 2021 (RMB million)	Nine months ended 30 September 2022 (RMB million)
Historical transaction amount	490.00	397.79	138.13

Historical Annual Caps

The annual caps for the transactions contemplated under the Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group for the three years ending 31 December 2022 are set out below:

	Year ended 31 December 2020 (RMB million)	Year ended 31 December 2021 (RMB million)	Year ending 31 December 2022 (RMB million)
Historical annual caps	967.00	1,356.50	1,617.90

The Directors have been monitoring the transaction amount of the transactions contemplated under the Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group, and for the two years ended 31 December 2021, the annual cap for each year has not been exceeded. As at the Latest Practicable Date and for the year ending 31 December 2022, the annual cap for the transaction amount of the transactions contemplated under the Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group has not been and is not expected to be exceeded.

LETTER FROM THE BOARD

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group for the three years ending 31 December 2025 are set below:

	Year ending 31 December 2023	Year ending 31 December 2024	Year ending 31 December 2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Proposed annual caps	814.21	494.09	308.68

The above proposed annual caps were determined with reference to the historical transaction figures as listed above and after taking into consideration the following factors:

- (i) the anticipated gross billings of the existing games in operation given the popularity and life cycles of such games that have been signed with the Tencent Group; and
- (ii) the anticipated gross billings of the new games, including a game adapted from a globally well-known IP, based on (a) the evaluation in relation to the respective projected performance in gross billings of the games; and (b) an expected growth in the aggregate gross billings of games operated and published by the Tencent Group, given the assumed growth in the Group's business and operational capacity.

Reasons for and Benefits of the Transaction

Publishing the Group's games in cooperation with third-party game publishers is the Group's main means of game publishing, and the Group has the commercial liberty to engage third-party publishers to maximise the Group's earnings from each game that the Group self-developed. As Tencent is a leading mobile game publisher in the PRC that operates a game platform to a large number of high-paying game players, the collaborations allow the Group to leverage on the current market information provided by Tencent and adapt the Group's games to the prevailing preference of the market. As a result, the Group have been able to enhance the popularity and the commercial potential of the games.

Games that are published and operated by the Tencent Group typically demonstrate Tencent's strong confidence and endorsement of the games. The Group generally enters into such agreements with game publishers, including the Tencent Group at an early stage of game development process in order to optimize marketing effectiveness of the Group's games. As a result, it is expected that the Group's games will be better received by players from such

LETTER FROM THE BOARD

collaboration with the Tencent Group, which facilitates word-of-mouth marketing. As at the Latest Practicable Date, the Group had collaborated with the Tencent Group to publish a wide range of games, most of which had achieved widespread acceptance among game players in the PRC and overseas.

The Directors and the Independent Board Committee are of the view that the terms of the renewed Tencent Game Cooperation Framework Agreement were determined after arm's length negotiation and are fair and reasonable, and the transactions contemplated thereunder in relation to the exclusive publishing and operation of the Group's games by the Tencent Group (including the proposed annual caps within the term of the renewed Tencent Game Cooperation Framework Agreement) are conducted in the ordinary and usual business of the Group, are on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Internal Control Measures

The Company has adopted the following internal control measures to ensure that the terms of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement are fair and reasonable and in compliance with the annual caps of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement:

- (i) The finance department of the Company, which is responsible for overseeing the connected transactions of the Group, will regularly monitor and collect detailed information on the connected transactions, including but not limited to the payment arrangements and the actual transaction amounts, to ensure that the continuing connected transactions are conducted in accordance with the renewed Tencent Game Cooperation Framework Agreement. In addition, the finance department of the Company is responsible for monitoring and reviewing the balance of annual caps of the continuing connected transactions on a monthly basis. If the annual caps for the continuing connected transactions are expected to be exceeded in a particular year, the finance department of the Company will report to the management of the Company and take appropriate actions in accordance with the relevant requirements of the Listing Rules.
- (ii) The senior management of the Company is responsible for overseeing and monitoring the internal control procedures adopted by the Group to ensure that the actual transaction amounts fall within the relevant annual caps. The senior management of the Company also monitors the utilization of the annual caps on an annual basis.
- (iii) The external auditors of the Company will review the continuing connected transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement on an annual basis to check and confirm, among other things, whether the relevant annual caps have been exceeded.

LETTER FROM THE BOARD

- (iv) The independent non-executive Directors and the risk management committee of the Company will review the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement on an annual basis to check and confirm whether the continuing connected transactions are conducted in the ordinary and usual course of business of the Group, on normal or better commercial terms and on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole in accordance with the renewed Tencent Game Cooperation Framework Agreement.

Listing Rules Implications

As at the Latest Practicable Date, Tencent is a substantial shareholder of the Company holding approximately 17.09% of the total issued shares of the Company through its wholly-owned subsidiaries. Therefore, the Tencent Group is a connected person of the Company, and the renewed Tencent Game Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group exceeds 5%, such transaction contemplated thereunder is subject to circular and independent shareholders' approval requirement in addition to reporting, annual review and announcements under Chapter 14A of the Listing Rules.

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

Information on the Parties

The Group

The Group is a pioneer in China's mobile game industry with more than twenty years of research and development experience focusing on developing high-quality mobile MMORPGs, SLGs, and other genres.

The Tencent Group

The Tencent Group principally provides value-added services, online advertising and FinTech and business services to users.

LETTER FROM THE BOARD

5. GENERAL

Subject to the approval of the adoption of the RSU Scheme and the Proposed Amendments to the Share Option Scheme at the EGM and in compliance with, and so long as so required by the Listing Rules and the New Rules, the aggregate number of (i) the new Shares to be issued pursuant to the RSU Scheme; (ii) the new Shares to be issued pursuant to the Share Option Scheme; (iii) the Shares in respect of the restricted share units yet to be granted out of the scheme mandate limit as at the date of the EGM under the Pre-IPO RSU Scheme; and (iv) any new Shares to be issued pursuant to other share schemes to be adopted by the Company from time to time must not exceed 10% of the total number of Shares in issue as at the date of the EGM, pursuant to rule 17.03B(1) of the New Rules. The Company confirms that the grant of the restricted share units under the Pre-IPO RSU Scheme after the date of the EGM shall be conducted in compliance with the requirements under the New Rules.

6. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

7. EGM

The notice of the EGM is set out on pages 77 to 79 of this circular.

Pursuant to 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under 13.39(5) of the Listing Rules.

In accordance with the Listing Rules, Tencent and its associates will abstain from voting on the resolution to be proposed at the EGM in respect of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group as well as the proposed annual caps. As at the Latest Practicable Date, Tencent and its associates, directly and indirectly, hold approximately 17.09% of the total issued shares of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.zulong.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or the adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

8. RECOMMENDATION

The Directors consider that the adoption of the RSU Scheme and the Proposed Amendments are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolutions at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the renewed Tencent Game Cooperation Framework Agreement and the transactions contemplated thereunder in relation to exclusive publishing and operation of the Group's games by the Tencent Group as well as the proposed annual caps set out on pages 20 to 21 of this circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the fairness and reasonableness on the terms of the renewed Tencent Game Cooperation Framework Agreement and the transactions contemplated thereunder in relation to exclusive publishing and operation of the Group's games by the Tencent Group as well as the proposed annual caps set out on pages 22 to 32 of this circular. The Directors and the Independent Board Committee are of the view that the renewed Tencent Game Cooperation Framework Agreement were entered into on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the transactions contemplated thereunder in relation to exclusive publishing and operation of the Group's games by the Tencent Group are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I (Summary of the principal terms of the RSU Scheme), Appendix II (Proposed Amendments to the Share Option Scheme) and Appendix III (General information) to this circular.

Yours faithfully,
For and on behalf of the Board
Archosaur Games Inc.
Mr. Li Qing
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

ARCHOSAUR GAMES INC.

祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

22 November 2022

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated on 22 November 2022 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the renewed Tencent Game Cooperation Framework Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder in relation to exclusive publishing and operation of the Group’s games by the Tencent Group (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

Somerley Capital has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the renewed Tencent Game Cooperation Framework Agreement, as well as the proposed annual caps for the continuing connected transactions contemplated thereunder in relation to exclusive publishing and operation of the Group’s games by the Tencent Group. Details of the advice from Somerley Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 22 to 32 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 8 to 19 of the Circular and the additional information set out in the Appendix III.

Having considered (i) the terms and conditions of the renewed Tencent Game Cooperation Framework Agreement, (ii) the discussion with the management of the Company about the background to and nature of the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement, (iii) the reasons for the proposed annual caps and the basis upon which the proposed annual caps have been determined, (iv) the business and financial effects of the renewed Tencent Game Cooperation Framework Agreement to the Group, and (v) the interests of the Independent Shareholders and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the renewed Tencent Game

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Cooperation Framework Agreement was determined after arm's length negotiation and is fair and reasonable, and the transactions contemplated thereunder in relation to the exclusive publishing and operation of the Group's games by the Tencent Group (including the proposed annual caps within the term of the renewed Tencent Game Cooperation Framework Agreement) are conducted in the ordinary and usual business of the Group, are on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM so as to approve the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group as well as the proposed annual caps.

Yours faithfully,

For and on behalf of the Independent Board
Committee of

Archosaur Games Inc.

Mr. Bai Kun, Mr. Zhu Lin, Mr. Ding Zhiping

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

22 November 2022

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to renewal of the Tencent Game Cooperation Framework Agreement in respect of the exclusive publishing and operation of the Group's games by the Tencent Group. Details of the renewed Tencent Game Cooperation Framework Agreement are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 22 November 2022 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

As the Tencent Game Cooperation Framework Agreement entered into between the Group and the Tencent Group in relation to (1) promotion and advertising services provided by the Tencent Group; (2) publishing of games on Tencent platforms; and (3) exclusive publishing and operation of the Group's games by the Tencent Group will expire on 31 December 2022, on 4 November 2022, the Company (for itself and on behalf of the Group) and Tencent Computer (for itself and on behalf of the Tencent Group) renewed the Tencent Game Cooperation Framework Agreement for a term of three years from 1 January 2023 to 31 December 2025 and set the annual caps for the transactions contemplated thereunder for the renewed term.

As at the Latest Practicable Date, Tencent is the substantial shareholder of the Company, holding approximately 17.09% of the total issued shares of the Company through its wholly-owned subsidiaries. Therefore, the Tencent Group is a connected person of the Company and the renewed Tencent Game Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the transactions contemplated under the renewed Tencent Game Cooperation Framework

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group exceeds 5%, such transaction contemplated thereunder is subject to circular and independent shareholders' approval requirement in addition to reporting, annual review and announcements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek the approval of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group by the Independent Shareholders. In view of the Tencent's interest in the renewed Tencent Game Cooperation Framework Agreement, Tencent and its associates will abstain from voting in respect of the relevant resolutions at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Bai Kun, Mr. Zhu Lin and Mr. Ding Zhiping, has been established to advise the Independent Shareholders in relation to the renewed Tencent Game Cooperation Framework Agreement for the transactions contemplated thereunder in relation to exclusive publishing and operation of the Group's games by the Tencent Group (including the proposed annual caps in relation to exclusive publishing and operation of the Group's games by the Tencent Group (the "**Proposed Annual Caps**")). We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, the Tencent Group or their respective associates, close associates or core connected persons and, accordingly, are considered eligible to give independent advice on the renewed Tencent Game Cooperation Framework Agreement. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Tencent Group or their respective associates, close associates or core connected persons.

In formulating our advice and recommendation, we have reviewed, among others, (i) the renewed Tencent Game Cooperation Framework Agreement, (ii) the Prospectus, (iii) the financial reports of the Company, and (iv) the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the "**Management**") and the respective professional advisers of the Company and have assumed that they are true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the renewed Tencent Game Cooperation Framework Agreement in relation to exclusive publishing and operation of the Group's games by the Tencent Group (including the Proposed Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Information on the parties

The Group

The Group is principally engaged in the development, publishing and operation of games. The Group is a pioneer in China's mobile game industry with more than twenty years of research and development experience focusing on developing high-quality mobile MMORPGs, SLGs, and other genres.

As disclosed in the interim report for the six months ended 30 June 2022 of the Company, as at 30 June 2022, the Group had launched 17 mobile games with over 70 regional versions in 14 languages in more than 170 regional markets, including Hong Kong, Macao, Taiwan, Southeast Asia, South Korea, Japan, Europe and the Americas. The Group also expects to launch at least 9 new games in the coming years including the New Game (as defined below) which will be distributed and operated by the Tencent Group under the renewed Tencent Game Cooperation Framework Agreement.

For the two years ended 31 December 2020 and 2021, and the six months ended 30 June 2022, the Group recorded total revenues of approximately RMB1,208.8 million, RMB920.8 million and RMB329.8 million respectively. The decrease in revenue was mainly due to the re-arrangement in the launch schedule of certain games and the fact that certain new games launched by the Group did not live up to the Group's expectations on performance. It is expected that the lifecycle of the Group's game will be extended to provide a more stable and sustainable revenue contribution with (i) the Group's plan to expand its product genres from MMORPG to SLG, female-oriented, strategy card and others; and (ii) a variety of and the continuous improvement of the Group's organic model of integrating operation and research and development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Tencent Group

The Tencent Group principally provides value-added services, online advertising and FinTech and business services to users. For the two years ended 31 December 2020, 2021 and the six months ended 30 June 2022, Tencent recorded revenue of approximately RMB482.1 billion, RMB560.1 billion and RMB269.5 billion, respectively, of which approximately 32.4%, 31.1% and 31.9% respectively was attributable to game business. Other than being one of the leading companies in the game industry, Tencent also operates some of the leading social communications platforms in the PRC, including Weixin and Wechat. As at 30 June 2022, the combined MAU of Weixin and WeChat increased to approximately 1,299.1 million.

According to Sensor Tower, a market intelligence and performance metrics in the digital ecosystem which provides digital performance and usage and trend insights, in August 2022, Tencent ranked 1st among the mobile game publishers in the PRC in terms of revenue.

2. Background to and reasons for the renewal of the Tencent Game Cooperation Framework Agreement

As disclosed in the letter from the Board in the Circular, publishing the Group's games in cooperation with third-party game publishers is the Group's main means of game publishing, and the Group has the commercial liberty to engage third-party publishers to maximise the Group's earnings from each game that the Group self-developed. As Tencent is a leading mobile game publisher in the PRC that operates a game platform to a large number of high-paying game players, the collaborations allow the Group to leverage on the current market information provided by Tencent and adapt the Group's games to the prevailing preference of the market. As a result, the Group have been able to enhance the popularity and the commercial potential of the games.

Games that are published and operated by the Tencent Group typically demonstrate Tencent's strong confidence and endorsement of the games. The Group generally enters into such agreements with game publishers, including the Tencent Group at an early stage of game development process in order to optimize marketing effectiveness of the Group's games. As a result, it is expected that the Group's games will be better received by players from such collaboration with the Tencent Group, which facilitates word-of-mouth marketing. As at the Latest Practicable Date, the Group had collaborated with the Tencent Group to publish a wide range of games, most of which had achieved widespread acceptance among game players in the PRC and overseas.

According to the Management, since 2015, the Group had been engaging the Tencent Group in the distribution and operations of the games developed by the Group, the renewal of the Tencent Game Cooperation Framework Agreement was to enable the Group to continue to conduct such business with the Tencent Group from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, and having taken into account, among others, (i) principal business of the Group and the Tencent Group; (ii) the leading positions of the Tencent Group in the gaming industry; and (iii) the renewal of the Tencent Game Cooperation Framework Agreement would allow the Group to continue to engage the Tencent Group as one of the game publisher for the Group's games, we are of the view that the renewal of the Tencent Game Cooperation Framework Agreement is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the renewed Tencent Game Cooperation Framework Agreement

The following sets forth the principal terms of the renewed Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of games by the Tencent Group:

Subject matter

Pursuant to the renewed Tencent Game Cooperation Framework Agreement, the Group shall engage the Tencent Group to publish, operate and promote certain games self-developed by the Group in designated regions. The Tencent Group shall have the exclusive rights to publish and operate the Group's games in designated regions. The Group agreed to participate in certain aspects of the operation of the games licensed to the exclusive publishing and operation of the Tencent Group, which includes external maintenance, customer service (such as, attending to game enquiries, in-game speech and image reviews), production of graphics, theme songs and advertising images, operation of the users' community, marketing and public relations.

Fee arrangement

The fees incurred by the Tencent Group for the exclusive publishing and operation of games shall be calculated by the following bases: (i) fixed licensing fees that may be paid by separate instalments that are hedged against the progression of the commercial operation of the game; (ii) revenue/profit sharing at a fixed proportion between the parties; (iii) prepaid revenue/profit sharing between the parties; and/or (iv) game performance bonus, which will be determined by assessing one or several aspects of the Group's games, including but not limited to the revenue/profit generating from games, popularity and the rating of games on various platforms.

Pricing policy

The pricing of the transactions will be determined with reference to (i) the test results of the Group's games based on Tencent's internal evaluation system with regards to the nature, quality and the expected popularity in the market; (ii) potential user traffic and gross billings arising from the platforms operated by the Tencent Group; and (iii) the fee arrangements at the prevailing terms in the market. Based on the fee quotes provided by other independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

third-party service providers, the Company will be able to ensure that the fees and revenue to be incurred by the Tencent Group to the Group represent the prevailing market price and on normal commercial terms that are no less favourable to the Group.

Separate contracts/agreements will be entered into to set out the specific scope of service, commission rate, the applicable payment channel and other details of the arrangement agreed between the relevant parties on each of the Group's games to be published by the Tencent Group.

Further details of the terms of the renewed Tencent Game Cooperation Framework Agreement are set out in the section headed "4. PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS" in the letter from the Board in the Circular.

Our assessment of the terms of the Tencent Game Cooperation Framework Agreement

As set out in the paragraphs headed "2. Background to and reasons for the renewal of the Tencent Game Cooperation Framework Agreement" above, the renewal of the Tencent Game Cooperation Framework Agreement is to extend the term of the Tencent Game Cooperation Framework Agreement, which expires on 31 December 2022, to allow the Group to continue to engage the Tencent Group for the distribution and operation of the Group's games. Based on our discussion with the Management and the review of the Tencent Game Cooperation Framework Agreement, in regard to the exclusive publishing and operation of the Group's games by the Tencent Group, no changes were made to the material terms of the Tencent Game Cooperation Framework Agreement.

We have obtained the full list of the Group's games which are expected to be distributed/continue to be distributed by the Tencent Group and all the relevant contacts (and the supplemental agreements as the case may be) entered into between the Group and the Tencent Group for each of such games. From our review, we noted that the revenue sharing arrangement was adopted for all the games with a designated revenue sharing ratio for each game and a payment term depending on the publishing platforms.

We have also obtained from the Management the full list of collaboration agreements entered into between the Group and other independent third party game publishers during the two years ended 31 December 2021 and the nine months ended 30 September 2022. From such list of a total of 22 collaboration agreements, we have selected, on a random basis, 6 samples of the collaboration agreements (and the supplemental agreements as the case may be) between the Group and other independent third party game publishers (the "**Comparable Contracts**") and compared the terms with the contracts between the Group and the Tencent Group under the Tencent Game Cooperation Framework Agreement. From our review, we noted that the Group has also adopted the revenue sharing arrangement with other independent third party game publishers for the distribution and operation of games, in the manner similar to that of the Tencent Game Cooperation Framework Agreement. As noted from the Comparable Contracts, the range of revenue sharing ratios of the Group and the payment terms in the underlying

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contracts between the Group and the Tencent Group are generally comparable or no less favourable to the Group than those in the Comparable Contracts and we consider the samples size is sufficient to determine the fairness and reasonableness of the relevant terms.

Based on the above, we are of the view that the transactions between the Group and the Tencent Group in relation to exclusive publishing and operation of the Group's games by the Tencent Group under the Tencent Game Cooperation Framework Agreement were entered into on normal commercial terms that are no less favourable to the Group as compared to those with independent third parties.

4. The Proposed Annual Caps

Set out below are the historical transaction amounts and the annual caps in relation to the Tencent Game Cooperation Framework Agreement for the three years ending 31 December 2022:

(a) Review of historical figures

	For the year ended 31 December		For the year ending
	2020	2021	31 December 2022
	RMB million	RMB million	RMB million
Transaction amounts under the Tencent Game Cooperation Framework Agreement	490.00	397.79	138.13 ^(Note)
Relevant annual caps	967.00	1,356.50	1,617.90

Note: Represents the transaction amounts for the nine months ended 30 September 2022.

As shown in the above table, the historical transaction amount decreased in recent years. It decreased by approximately 18.8% from approximately RMB490.00 million in 2020 to approximately RMB397.79 million in 2021, representing a utilisation rate of the annual caps of approximately 50.7% and 29.3% for 2020 and 2021 respectively. The transaction amount for the nine months ended 30 September 2022 was approximately RMB138.13 million and the utilisation rate of the pro-rated annual cap for the year ending 31 December 2022 was approximately 11.4% as at 30 September 2022 and it is expected the relevant transaction amount for the year ending 31 December 2022 will not exceed to relevant annual cap. We are advised by the Management that the expected utilisation were not close to full utilisation of the cap since (i) the launch of certain new games were delayed and could not be released as scheduled; and (ii) certain newly launched games did not perform as expected by the Management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Assessment of the Proposed Annual Caps

Set out below are the Proposed Annual Caps for the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group for the three years ending 31 December 2025:

	For the year ending 31 December		
	2023	2024	2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed Annual Caps	814.21	494.09	308.68

Based on our discussions with the Management, when determining the Proposed Annual Caps, the Company has taken into account various factors, including (i) the historical amount of licensing fees and revenue sharing of the games for the two years ended 31 December 2021 and the nine months ended 30 September 2022; (ii) the number of new games expected to be published and operated and the number of existing games continue to be operated by the Tencent Group; and (iii) the expected launch time, popularity and life cycle of each of the games during 2023-2025.

To further assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained and reviewed the historical and forecasted transaction amount, we noted that the forecasted transaction amounts are calculated principally based on the fee sharing percentage of the Tencent Group and projected revenue to be generated from each of the game, which in turn, is mainly estimated with reference to (i) the expected monthly active accounts; (ii) the expected monthly paying ratio of the monthly active users; and (iii) the expected average revenue per monthly active account.

Based on the Company's forecast on the Proposed Annual Caps, while the performance of the existing games continue to be operated by the Tencent Group are assumed to follow its historical trend, a significant portion of the Proposed Annual Caps are attributable to new games that are expected to be published and operated by the Tencent Group. In particular, the Company is expected to launch a popular new game worldwide which shall be exclusively published and operated by the Tencent Group (the "**New Game**"). The transaction amounts in relation to the New Game is expected to account for a significant portion of the Proposed Annual Caps for each of the three years ending 31 December 2023, 2024 and 2025. As the New Game has a globally well-known IP and a film with the same franchise is expected to be released in December 2022, the Company anticipated that the launch of the New Game could attract new gamers and achieve widespread acceptance among game players. From our review of the underlying calculation of the expected transaction amounts in relation to the New Game, we noted that the significant transaction amounts of the New Game were mainly driven by the relatively high beginning monthly active accounts in both overseas and in the PRC market, followed by a downward trend in the years after. We have discussed with the Management the basis of the estimation and obtained relevant supporting information in which another popular

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

game launched by the Group in 2019 had reached similar beginning monthly active accounts and followed by a downward trend in the years after. We have also reviewed the expected monthly paying ratio and the expected average revenue per monthly active account for the New Game during the term of the renewed Tencent Game Cooperation Framework Agreement and noted that the expected ratios are generally comparable to and within the range of the Group's other games.

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Proposed Annual Caps in a way that can accommodate the potential growth of the Group's business. In particular, it was to a certain extent difficult for the Management to estimate future transactions with the Tencent Group with high certainty. Provided that transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement are subject to annual review by the independent non-executive Directors and auditors of the Company, as required under the Listing Rules and other effective internal control measures (as summarised in the section headed "6. Internal control measures and reporting requirements by the Listing Rules regarding the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement" below) to safeguard the Group's interests, the Group would have desirable flexibility in conducting its business if the Proposed Annual Caps are tailored to future business activities.

Having considered the basis on which the Proposed Annual Caps are determined as described above, we are of the view that the such Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

6. Internal control measures and reporting requirements by the Listing Rules regarding the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement

As set out in the letter from the Board in the Circular, to ensure that the terms of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement are fair and reasonable and in compliance with the annual caps of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement, the Company has adopted the certain internal control measures, including but not limited to (i) the continuous monitoring and review of the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement by the finance department of the Company; (ii) the overseeing and monitoring of the transaction amounts and utilisation of the annual caps of the renewed Tencent Game Cooperation Framework Agreement by the senior management; and (iii) the annual review of the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreements by the external auditors of the Company, the independent non-executive Directors and the risk management committee of the Company. Please refer to the section headed "4. PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS – Internal Control Measures" in the letter from the Board in the Circular for further details.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the renewed Tencent Game Cooperation Framework Agreement are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement every year and confirm in the annual report and accounts that they have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and
 - (iv) have exceeded the relevant annual caps;
- (c) the Company must allow, and ensure that the counterparties to the renewed Tencent Game Cooperation Framework Agreement allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions under the renewed Tencent Game Cooperation Framework Agreement;
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the reporting requirements attached to the renewed Tencent Game Cooperation Framework Agreement, in particular, (i) the restriction of the transaction value by way of annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the renewed Tencent Game Cooperation Framework Agreement and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the renewed Tencent Game Cooperation Framework Agreement and assist in safeguarding the interests of the Company and the independent Shareholders as a whole.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the renewal of the Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group (including the Proposed Annual Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the renewal of the Tencent Game Cooperation Framework Agreement in relation to the exclusive publishing and operation of the Group's games by the Tencent Group (including the Proposed Annual Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 18 years of experience in the corporate finance industry.

The following is a summary of the principal terms of the RSU Scheme proposed to be approved and adopted by an ordinary resolution of the Shareholders at the EGM. It does not form part of, nor was it intended to be, part of the RSU Scheme nor should it be taken as affecting the interpretation of the rules of the RSU Scheme:

1 PURPOSE

The purpose of this Scheme is to incentivize directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

2 DEFINITIONS AND INTERPRETATION

2.1 Defined Terms

In these Rules, except where the context otherwise requires, the following expressions shall have the following meanings:

“**Adoption Date**” means the date of the adoption of this Scheme by the directors of the Company;

“**Articles**” means the articles of association of the Company (as amended from time to time);

“**Auditors**” means the auditors of the Company, as appointed from time to time;

“**Board**” means the board of directors of the Company or a duly authorized committee of the board of directors;

“**Board Lot**” means the board lot in which Shares are traded on the Stock Exchange from time to time;

“**Business Day**” a day (other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm) on which the Stock Exchange is open for trading and clearing banks in Hong Kong and the PRC are open for transactions of normal banking business;

“**close associate**” has the meaning as described under Rule 1.01 of the Listing Rules;

“**Company**” means Archosaur Games Inc. 祖龙娱乐有限公司, a company incorporated under the laws of the Cayman Islands with limited liability on January 2, 2020;

“**controlling shareholder(s)**” has the meaning as described under Rule 1.01 of the Listing Rules;

“**connected person**” has the meaning as described under Rule 14A.06(7) of the Listing Rules;

“**core connected person(s)**” has the meaning as described under Rule 1.01 of the Listing Rules;

“**Directors**” means the directors of the Company for the time being or a duly authorised committee thereof;

“**Eligible Persons**” means persons eligible to receive RSUs under this Scheme, who are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any member of the Group;

“**Grant Date**” means the date on which RSUs, are granted under this Scheme pursuant to a Grant Letter, as described in Rule 5.4;

“**Grant Letter**” means the letter pursuant to which RSUs are granted to a Selected Person, as described in Rule 5.3;

“**Group**” means the Company, its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of the contractual arrangements; a “**member of the Group**” shall mean any of the aforesaid companies;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Listing Rules**” means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;

“**Misconduct**” means the Participant willfully disobeys a lawful and reasonable order, or misconducts himself/herself, or is guilty of fraud or dishonesty, or is habitually neglectful in his/her duties, or any other events which result in a summary dismissal of his/her employment;

“**Participant(s)**” means a Selected Person who accepts the offer of the grant of RSUs in accordance with the terms of this Scheme;

“**PRC**” means the People’s Republic of China, and for the purpose of this Scheme, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“**RSUs**” means restricted share units, each restricted share unit represents one underlying Share, and represent a conditional right granted to any Selected Person under this Scheme to obtain Shares, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion;

“**Rules**” means the rules of this Scheme as amended from time to time;

“**Remuneration Committee**” means the remuneration committee of the Company established pursuant to the Listing Rules;

“**Scheme**” means the restricted share unit scheme constituted and governed by the rules in this document, as amended from time to time;

“**Scheme Period**” means the period of ten (10) years commencing from the Adoption Date, or until this Scheme is terminated pursuant to Rule 16, whichever is earlier;

“**Selected Person(s)**” means Eligible Persons selected by the Board to be granted RSUs under this Scheme at its discretion;

“**Share Option Scheme**” means the share option scheme approved and adopted by the Company on February 5, 2021 and amended on the Adoption Date;

“**Shares**” means ordinary shares of US\$0.00001 each in the issued share capital of the Company as at the Adoption Date (or of such other nominal amount as shall result from other sub-division or a consolidation of the share capital of the Company from time to time);

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Trustee**” means the trustee(s) to be appointed by the Board to hold Shares for the purpose of this Scheme, and the initial trustees upon the adoption of this Scheme are Zhao Tongtong, Xiao Zhou, Liu Wenwei, Wu Shenghe, Wang Le, Wang Yuanming and Liu Bing; and

“**Vesting Notice**” means a notice to be sent by Company to each of the relevant Participants after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, as described in Rule 6.2.

2.2 Headings are inserted for reference only and shall be ignored in the interpretation of these Rules. Unless the context otherwise requires, references herein to Rules are to provisions of these Rules, references to persons includes corporations and vice versa, singular includes the plural and vice versa and references to a gender shall include all genders.

2.3 References to any document in these Rules are to that document as amended, consolidated, supplemented, novated or replaced from time to time.

2.4 References to statutes, statutory provisions or the Listing Rules shall be construed as references to those statutes, provisions or rules as respectively amended or re-enacted or as their application is modified from time to time by other provisions (whether before or after the date of this Scheme).

3 DURATION AND ADMINISTRATION

3.1 Term of this Scheme

Subject to Rule 16, this Scheme shall be valid and effective for a period of ten (10) years, commencing on the Adoption Date, after which period no further RSUs will be granted, but the provisions of this Scheme shall in all other respects remain in full force and effect and RSUs that are granted during the Term may continue to be convertible in accordance with their terms of issue.

3.2 Administration of Scheme

The Board has the power to administer this Scheme, including the power to construe and interpret these Rules and the terms of the RSUs granted under it. The Board may delegate the authority to administer this Scheme to a committee of the Board. The Board may also appoint one or more independent third-party contractors to assist in the administration of this Scheme and delegate such powers and/or functions relating to the administration of this Scheme as the Board thinks fit. The Board's determinations under this Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a director is a Participant he may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning this Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and the Board's administration of this Scheme.

3.3 Interpretation of Scheme

The decision of the Board as to all matters relating to this Scheme or its interpretation or effect shall be final and binding. In particular, the Board shall finally determine whether a person is eligible to participate in this Scheme.

3.4 Trustee

The Company may appoint trustee to assist with the administration and vesting of RSUs granted pursuant to this Scheme. The Company may (i) allot and issue Shares to the Trustee to be held by the Trustee for the benefit of specified Participants and/or (ii) direct and procure the Trustee to receive existing Shares from any shareholder of the Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon conversion. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of this Scheme. All Shares underlying the RSUs granted and to be granted under this Scheme will be transferred, allotted or issued to the Trustee.

3.5 Conditions

This Scheme is conditional upon:

- (a) the passing of the necessary resolution to approve and adopt this Scheme in general meeting of the Company; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued in respect of RSUs granted under this Scheme.

If any of the conditions referred to in this Rule are not satisfied, this Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Scheme.

4 ASSIGNMENT OF RSUs

4.1 The RSUs granted pursuant to this Scheme are personal to each Participant, and are not assignable. Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Trustee on trust for the Participants, the RSUs, or any interest or benefits therein.

5 GRANT OF RSUs

5.1 Basis of eligibility for RSUs

Subject to Rules 5.2 and 5.6, the Board may select any Eligible Person for participation in this Scheme as a Selected Person. Unless so selected, no Eligible Person shall be entitled to participate in this Scheme. The basis of eligibility of any Selected Person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate.

5.2 Offer of grant of RSUs

Subject to the limitations and conditions of this Scheme, the Board may, at its absolute discretion, grant RSUs to any Selected Person on such terms and conditions as the Board thinks fit, provided that:

- (a) no RSUs shall be granted after the expiry of the term of this Scheme or after the earlier termination of this Scheme in accordance with Rule 16; and
- (b) RSUs that have lapsed in accordance with Rule 10 or for any other reasons can be re-granted by the Board.

No grant shall be made to, nor shall any grant be capable of acceptance by, any Selected Person at a time when the Selected Person would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws.

A grant must not be made where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong, as amended from time to time) until (and including) the trading day after such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement,

no grant shall be made. Such period will cover any period of delay in the publication of a results announcement.

Where any RSU is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half- year period up to the publication date of the results.

5.3 Contents of the Grant Letter

Upon the grant of RSUs, a Grant Letter should be provided to the Selected Person and such Grant Letter shall address, among other things, the following matters:

- (a) the Selected Person's name;
- (b) the manner of acceptance of the RSU;
- (c) the last day for acceptance by the Selected Person;
- (d) the number of RSUs granted and the number of Underlying Shares represented by the RSUs;
- (e) the vesting criteria and conditions;
- (f) the vesting schedule;
- (g) the conversion price of the RSUs (where applicable); and
- (h) such other terms and conditions as the Board shall determine and are not inconsistent with this Scheme.

The Grant Letter will require the Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of this Scheme.

The Grant Letter shall serve as evidence of the grant of the RSUs and no further certificate shall be issued to the Selected Person.

5.4 Acceptance of RSUs

A Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Grant Letter. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of RSUs, a Selected Person is not required to pay any grant or purchase price or make any other payment to the Company to accept the RSUs granted pursuant to Grant Letter, nor is he/she required to pay any conversion price upon the conversion of the RSUs. Once accepted, the RSUs are deemed to be granted from the date of the Grant Letter. Upon acceptance, the Selected Person becomes a Participant in this Scheme.

5.5 Information to the Trustee

The Board shall, after any RSUs have been granted and duly accepted by the Participant(s), inform the Trustee of the name(s) of the Participant(s), the number of RSUs and the number of underlying Shares that can be acquired by each Participant upon conversion of the RSUs granted to each such Participant, the vesting schedule of RSUs (if any) and other terms and conditions (if any) that RSUs are subject to as determined by the Board.

5.6 Restriction on grant of RSUs

The Board may not grant any RSUs to any Selected Persons in any of the following circumstances:

- (a) the requisite approvals for the grant from any applicable regulatory authorities have not been obtained;
- (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of this Scheme, unless the Board determines otherwise;
- (c) where granting the RSUs would result in a breach of any applicable securities laws, rules or regulations by the Company, any member of our Group or any of their directors; or
- (d) where such grant of RSUs would result in exceeding the maximum number of Shares in respect of RSU under this Scheme as set out in Rule 12.

6 VESTING OF RSUs

6.1 The Board may determine the vesting criteria, conditions and the time schedule for the vesting of the RSUs and such criteria, conditions and time schedule shall be stated in the Grant Letter.

- 6.2** Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Company shall send the Vesting Notice to each of the relevant Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.
- 6.3** If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be cancelled according to conditions as determined by the Board in its absolute discretion.
- 6.4** The vesting period shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of RSUs, all RSUs shall be convertible in installments subject to the vesting period as follows:
- i. 40% of the RSUs can be converted one (1) year after the Grant Date;
 - ii. 30% of the RSUs can be converted two (2) years after the Grant Date; and
 - iii. the remaining 30% of the RSUs can be converted three (3) years after the Grant Date.
- 6.5** In addition to any conditions of vesting stated in the Grant Letter, RSUs shall only be vested if the Participant is still an Eligible Person at the date of vesting as set out in the Grant Letter. For the avoidance of doubt, if a person ceases to be an Eligible Person, notwithstanding the grounds, any RSUs not yet vested shall be immediately forfeited.
- 6.6** In the event the Board determines that the Participant (a) has committed a Misconduct; (b) is involved in a material misstatement in the Company's financial statements; (c) has committed a breach of the employment contract of the Participant; or (d) the employment of the Participant has been terminated on the grounds of Misconduct, the Board may at its absolute discretion forfeit all the outstanding RSUs granted to the relevant Participant but not yet vested and converted without the approval of the relevant Participant.

7 CONVERSION OF RSUs

- 7.1** RSUs held by a Participant that are vested as evidenced by the Vesting Notice may be converted (in whole or in part) by the Participant serving a conversion notice in writing on the Trustee and copied to the Company subject to the conditions of this Scheme. The period within which an RSU may be converted by the Participant under this Scheme must

not be more than ten (10) years from the date of grant of the RSUs. Any conversion of RSUs must be in respect of a Board Lot or an integral multiple thereof (except where the number of RSUs which remains unconverted is less than one Board Lot).

In a conversion notice, the Participant shall request the Trustee to, and the Board shall direct and procure the Trustee to within five (5) Business Days, either transfer the Shares underlying the RSUs converted (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) or transfer the sale proceeds arising from the sale of such Shares to the Participant which the Company has allotted and issued to the Trustee as fully paid up Shares or which the Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any shareholder of the Company, subject to the Participant paying the conversion price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs.

Notwithstanding the foregoing, if the Participant would or might be prohibited from dealing in the Shares by the Listing Rules (including but not limited to (i) the blackout period as stipulated in rule A.3 of the Model Code in Appendix 10 of the Listing Rules, and (ii) the Inside Information Provisions of the Securities and Futures Ordinance (Cap. 571)) or by any other applicable laws, regulations or rules within the period specified above, the date on which the relevant Shares shall be allotted and issued or transferred (as the case may be) to such Participant shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

The Participant shall serve the conversion notice after receiving the Vesting Notice.

Besides otherwise determined by the Board and stated in the offer to a Participant, the conversion of any RSUs is subject to the achievement of the performance targets (if any), as described in the Grant Letter at the time of the grant of the RSUs, which shall be based on the performance of the Participants in terms of factors including but not limited to, as and when appropriate, research and development outcome, sales performance and punctuality and/or the operating or financial performance of the Group and the satisfaction of which shall be assessed and determined by the Board at its sole discretion.

7.2 Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of the shareholders of the Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

7.3 Rights on a compromise or arrangement

If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

7.4 Rights on voluntary winding-up

If an effective resolution is passed during the Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. In such case, no Shares will be transferred, and no cash alternative will be paid, to the Participant, but the Participant will be entitled to receive out of the assets available in liquidation on an equal basis with the Company's shareholders such sum as they would have received in respect of the RSUs.

8 RESTRICTIVE COVENANTS

- 8.1** By accepting any RSUs granted hereunder, a Participant shall be deemed to have made the Restrictive Covenants set forth in this Rule 8 to and for the benefit of the Group.
- 8.2** The Participant hereby undertakes to the Group that he will not at any time whilst an employee, director, shareholder or otherwise interested in the Group (save in so far as is reasonably necessary to fulfil his duties to the Group) or at any time thereafter, directly or indirectly use or disclose or communicate to any person any information concerning the affairs, business methods, processes, systems, inventions, plans or research and development of the Group or those of its customers, clients or suppliers and which may be reasonably regarded as being confidential to the Group or to such persons (other than information which he is required to disclose by law or which is for the relevant time being in the public domain other than by reason of wrongful disclosure of the same by him) and will use his best endeavours to prevent the publication or disclosure of any such information by any third party.
- 8.3** The Participant undertakes to the Group that he will not, except with the prior written approval of the Company, be directly or indirectly concerned with or engaged or interested in any other business which is in any respect in competition with or similar to the business of the Group during his employment with the Group, save that this restriction shall not apply to any holding of Shares or other securities in the Company.

8.4 The Participant undertakes to the Group that:

- (a) for so long as he is employed by the Company or any other member within the Group he will devote his full time and attention to the business of the Group and will use his best endeavours to develop the business and interests of the Group and will not be concerned with any other (competitive or other) business; and
- (b) upon his ceasing (for any reason) to be employed by the Group he will not for a period of two (2) years from the date he ceases to be so employed, whether on his own account or on behalf of any other person, firm or company:
 - (aa) solicit (in connection with any business of a type then carried on by the Group) interfere with or endeavour to entice away from any member within the Group any person, firm or company who at any time during the period of one year immediately preceding such cessation, was to his knowledge a material customer, client, supplier, agent, distributor, or an employee (not being a junior employee) or consultant (by whatever title called) of a member within the Group;
 - (bb) seek to interfere with the continuance of the supply of goods or services to any member within the Group or the terms of any such supply; or
 - (cc) carry on, engage in or be concerned or interested either as principal or agent or as a shareholder, partner or employee of any other person in any business or activity which involves the offer, sale or supply of products or services to customers in the PRC or any other territory in which the Group offers such sale or supply for the relevant time being, competes with the business in which any member within the Group is or was engaged in the twelve months prior to the date he ceases to be employed by the Group; or
 - (dd) use or allow the use by any third party of any name, logo or other intellectual property rights used by any member within the Group or any name or logo likely to be confused therewith otherwise than in the conduct of the business of the Group; and
 - (ee) deal in the Shares which would violate (i) any applicable laws, regulations and rules in any relevant jurisdictions including, without limitation, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), other Hong Kong securities laws, and the U.S. Securities Act of 1933, as amended from time to time, and (ii) any internal policy of the Company in connection with dealing in the Shares.

8.5 The Participant undertakes to the Group that he shall not, during either the course of his employment by the Group or for a period of two (2) years from the date he ceases to be employed by the Group, make, publish, or otherwise transmit any disparaging or defamatory statements, whether written or oral, regarding the Group or its employees, products, operations, procedures, policies, business or services.

9 RIGHTS ATTACHED TO RSUs AND SHARES

9.1 Rights attached to RSUs

A Participant does not have any contingent interest in any Shares underlying the RSUs unless and until the RSUs are vested and converted by the Participant. Further, a Participant may not convert voting rights in respect of the Shares underlying the RSUs prior to the vesting and conversion of such RSUs. The Trustee holding unvested Shares of this Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. Unless otherwise specified by the Board in its entire discretion in the Grant Letter, a Participant does not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

9.2 Rights attached to Shares

Any Shares transferred to a Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members. Accordingly, such Shares will entitle the holders all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of the Company closed, the first day of the reopening of the register of members.

10 LAPSE OF RSUs

10.1 Any unvested RSUs will automatically lapse immediately where:

- (a) such Participant's employment or service with the Group terminates for any reason;
or
- (b) the Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

10.2 If at any time, a Participant:

- (a) fails, during the course of his employment, to devote the whole of his time and attention to the business of the Group or to use his best endeavours to develop the business and interests of the Group;
- (b) is concerned during the course of his employment with the Group (without the prior written consent of the Company) with any (competitive or other) business other than that of the Group; and/or
- (c) is in breach of his contract of employment with or any other obligation to the Group (including without limitation the restrictive covenants set out in Rule 8),

then all unvested RSUs and vested RSUs which have not been converted shall automatically lapse and such Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

10.3 If the Participant's employment or service with the Company or any member of the Group is terminated by reason of retirement, death or disability, the Board shall determine at its absolute discretion and shall notify the Participant whether any unvested RSU granted to such Participant shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall be cancelled automatically with effect from the date on which the Participant's employment or service is terminated.

11 CANCELLATION OF RSUs

11.1 Subject to paragraph and Chapter 17 of the Listing Rules, the Board may at its discretion cancel any RSU granted, provided that:

- (a) the Company or any member of the Group pay to the Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with the Auditors or an independent financial adviser appointed by the Board;
- (b) the Company or the relevant member of the Group provides to the Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or
- (c) the Board makes any arrangement as the Participant may agree in order to compensate him/her for the cancellation of the RSUs.

11.2 Where the Company cancels any RSU granted to a Participant and makes a new grant to the same Participant, such new grant of RSU(s) may only be made with available General Scheme Limit or the limits approved by the shareholders of the Company pursuant to paragraphs 12.1. The RSUs cancelled will be regarded as utilized for the purpose of calculating the General Scheme Limit or the aforesaid limits.

12 MAXIMUM NUMBER OF SHARES IN RESPECT OF RSUs GRANTED UNDER THIS SCHEME

12.1 The aggregate number of Shares which may be allotted and issued in respect of all RSUs to be granted under this Scheme shall not exceed 20,000,000 Shares (i.e. representing approximately 2.5% of the total number of Shares in issue as at the Adoption Date). The total number of Shares which may be allotted and issued in respect of all Options and RSUs (for this purpose, options or RSUs lapsed in accordance with the terms of the Share Option Scheme and this Scheme of the Group will not be regarded as utilized for the purpose of calculating the General Scheme Limit (as defined hereinafter)) to be granted under the Share Option Scheme and this Scheme of the Group must not in aggregate exceed 60,775,500 Shares (i.e. representing approximately 7.5% of the total number of Shares in issue as at the Adoption Date) (“General Scheme Limit”) (if the Company conducts a share consolidation or subdivision after the General Scheme Limit has been approved in general meeting, the General Scheme Limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share), provided that:

- (a) without prejudice to paragraphs 12.1(b) and 12.1(c), the Company may issue a circular to its shareholders and seek approval of its shareholders at general meeting to refresh the General Scheme Limit after three years from the Adoption Date, or subsequently the date of Shareholders’ approval for the last refreshment provided that the total number of Shares which may be allotted and issued in respect of all options and awards to be granted under this Scheme and any other share schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed General Scheme Limit. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.03C(2) of the Listing Rules;
- (b) any refreshment within any three-year period must be approved by Shareholders subject to the following provisions:
 - i. any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent nonexecutive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
 - ii. the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules;

(c) without prejudice to paragraphs 12.1(a) and 12.1(b), the Company may seek separate shareholders' approval at general meeting for granting options or awards beyond the scheme mandate limit referred to in paragraph 12.1(a) provided the options or awards in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing the name of each specified participants who may be granted such options or awards, the number and terms of options or awards to be granted to each participant and the purpose of granting options or awards to the specified participants with an explanation as to how the terms of the options or awards serve such purpose. The number and terms of options or awards to be granted to such participant must be fixed before Shareholders' approval.

12.2 The total number of Shares issued and to be issued in respect of all options and awards granted under this Scheme and any other share schemes of the Group (excluding any options and awards lapsed in accordance with the terms of this Scheme or any other share schemes of the Group) to each Participant in any 12-month period may not exceed 1% of the Shares in issue from time to time. Where any further grant of RSUs to a Participant under this Scheme would result in the Shares issued and to be issued in respect of all options and awards granted and to be granted to such person (including converted, cancelled and outstanding RSUs) under this Scheme and any other share schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company at general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the RSUs to be granted (and those options or awards previously granted to such Participant in the 12-month period), the purpose of granting options or awards to the participant and an explanation as to how the terms of the options or awards serve such purpose. The number and terms (including the conversion price) of RSUs to be granted to such participant must be fixed before Shareholders' approval. In any event, the total number of Shares issued and to be issued in respect of RSUs under this Scheme (excluding any RSUs lapsed in accordance with the terms of this Scheme) to each Participant shall not exceed 20,000,000 Shares.

12.3 Where any grant of RSUs or awards under other share schemes of the Group (excluding grant of options) to a Director (other than an independent non-executive Director) or chief executive of the Group, or any of their associates would result in the shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the share scheme) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the relevant class of shares in issue, such further grant of awards must be approved by Shareholders of the Company in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules.

In any event, the total number of Shares issued and to be issued in respect of RSUs under this Scheme (excluding any RSUs lapsed in accordance with the terms of this Scheme) to each Director (other than an independent non-executive Director) or chief executive of the Group shall not exceed 20,000,000 Shares.

12.4 Where any grant of RSUs to an independent non-executive Director or a substantial Shareholder, or any of their respective associates, would result in the shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of RSUs must be approved by Shareholders in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules. In any event, the total number of Shares issued and to be issued in respect of RSUs under this Scheme (excluding any RSUs lapsed in accordance with the terms of this Scheme) to each independent non-executive Director or substantial Shareholder shall not exceed 20,000,000 Shares.

12.5 For the purpose of seeking the approval of the shareholders of the Company under paragraphs 12.3 and 12.4, the Company must send a circular to its shareholders containing the information required under the Listing Rules and the Participant, his associates and all core connected persons of the Company under the Listing Rules shall abstain from voting in favour at general meeting. The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

13 REORGANISATION OF CAPITAL STRUCTURE

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, the Board may make such equitable adjustments, designed to protect the Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

14 DISPUTES

The Board shall determine any question of interpretation and settle any dispute arising under or in connection with this Scheme. In such matters, the Board's decision shall be final.

15 AMENDMENT OF THIS SCHEME

- 15.1** Save for the definition of “Eligible Persons” and Rules 3, 4, 5.4, 6.4, 6.6, 7, 9, 10, 11, 12, 13, 15 and 16, which are the terms and conditions of this Scheme of a material nature or alterations to the provisions of this Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of Participants must be approved by shareholders of the Company at general meeting and subject to Rules 15.3 and 15.4, this Scheme may be altered by a resolution of the Board, provided that no such alteration shall operate to affect adversely the terms of issue of any RSUs granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required of the holders of the Shares under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.
- 15.2** Subject to paragraph 15.3, any change to the terms of the RSUs granted to a Participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the RSUs was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of this Scheme.
- 15.3** The amended terms of this Scheme or the RSUs shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- 15.4** Any change to the authority of the Directors or the administrators of this Scheme to alter the terms of this Scheme must be approved by the shareholders of the Company at general meeting.
- 15.5** The Company must provide to all Participants all details relating to changes in the terms of this Scheme during the life of this Scheme immediately upon such changes taking effect.

16 TERMINATION OF THIS SCHEME

The Board may, by resolution at general meeting, terminate this Scheme at any time before the expiry of the Scheme Period. The provisions of this Scheme shall remain in full force and effect in respect of RSUs which are granted (to the extent not already converted or in respect of which Shares are not yet issued to the Participant) pursuant to these Rules prior to the termination of the operation of this Scheme. The Company or relevant member of the Group shall notify the Trustee and all Participants of such termination and of how any property held by the Trustee on trust for the Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

17 MISCELLANEOUS**17.1 Costs of this Scheme**

The Company shall bear the costs of establishing and administering this Scheme. For the avoidance of doubt, all stamp duty and/or transfer tax or duty and any other charges payable upon the transfer of the Shares to the Participant upon conversion of the RSUs shall be borne by the Participant.

17.2 Notices

- (i) Any notice or other document which has to be given to a Selected Person or a Participant under or in connection with this Scheme may be delivered to the Selected Person or the Participant or sent by post or facsimile transmission or e-mail to him at his home postal address, home or work e-mail address or facsimile number according to the records of his employing company or such other address as the Company reasonably considers appropriate.
- (ii) Any notice or other document which has to be given to the Company under or in connection with this Scheme may be delivered or sent by post to it at its registered office (or such other place as the Board may from time to time decide and notify to the Participants and/or the Trustee) or by facsimile transmission to the central facsimile number of the Company.
- (iii) Any notice or other document which has to be given to the Trustee under or in connection with this Scheme may be delivered or sent by post to it at its registered office (or such other place as the Trustee may from time to time decide and notify to the Company and/or the Participants) or by facsimile transmission to the central facsimile number of the Trustee or the work e-mail address of a designated person of the Trustee as notified by the Trustee to the Company.
- (iv) Any notice or other document if given by a Selected Person or a Participant shall be irrevocable and shall not be effective until actual receipt by the Trustee or the Company (as the case may be).
- (v) Notices sent by post will be deemed to have been given by the Company or the Trustee on the first day after the date of posting, and by the Participant on the date of receipt by the Board or the Trustee (as the case may be). Notices served by hand will be deemed to be served when delivered.

17.3 Responsibility for obtaining consents

A Participant shall be responsible for obtaining any governmental or other official consent that may be required in order to permit the acceptance or conversion of the RSUs. The Company and the Trustee shall not be responsible for any failure by a Participant to obtain any such consent and shall not be liable for any cost incurred in obtaining such consent.

17.4 Responsibility for tax etc.

Subject to Rule 17.1, the Company and the Trustee shall not be liable for any tax or other liability to which a Participant may become subject as a result of his or her participation in this Scheme.

17.5 No other rights

This Scheme shall not confer on any person any legal or equitable rights against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

17.6 Discretionary Scheme

This Scheme is discretionary and shall not form part of any contract (whether a contract of employment or otherwise) between the Company or any member of the Group and any Eligible Person and/or Selected Person. The rights and obligations of any Eligible Person under the terms of his/her office or employment shall not be affected by his participation in this Scheme. This Scheme shall give an Eligible Person no additional rights to compensation or damages in consequence of the termination of his/her office or employment.

17.7 Power to adopt operational rules

The Board may from time to time adopt such operational rules as it may deem fit for the purpose of giving effect to or implementing this Scheme (including but not limited to formulating rules which restrict the conversion of the RSUs granted or to be granted or otherwise impose restrictions on the Participant), provided that such rules do not conflict with these Rules or contravene any of the applicable laws or regulations.

17.8 Governing law and jurisdiction

This Scheme and all RSUs granted under it shall be governed by and construed in accordance with Hong Kong law.

The Hong Kong courts shall have the exclusive jurisdiction to determine any claim, dispute or difference arising out of or in connection with this Scheme or any RSUs granted under it.

The following is a summary of the Proposed Amendments of the principal terms of the Share Option Scheme proposed to be approved and adopted by an ordinary resolution of the Shareholders at the EGM.

1 DEFINITIONS

1.1 In the Share Option Scheme the following expressions shall have the following meanings:

“Adoption Date”	the date on which the Share Option Scheme is adopted;
“Amendment Date”	<u>the date on which the Share Option Scheme is amended;</u>
“associate(s)”	shall bear the meaning as defined in Rule 14A.06(2) of the Listing Rules;
“Auditors”	the auditors for the time being of the Company;
“Business Day”	any day (excluding Saturday and Sunday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities;
“close associate(s)”	has the meaning described under Rule 1.01 of the Listing Rules;
“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;
“connected person”	has the meaning as described under Rule 14A.06(7) of the Listing Rules;
“controlling shareholder(s)”	<u>has the meaning as described under Rule 1.01 of the Listing Rules;</u>
“core connected person(s)”	has the meaning described under Rule 1.01 of the Listing Rules;
“Directors”	the directors of the Company for the time being or a duly authorised committee thereof;

“Eligible Employee”	any full-time employee (excluding any director) of the Company and any Subsidiary;
“Eligible Participants”	any Eligible Employee who may be invited by the Board to take up Options, and “Eligible Participant” shall be construed accordingly;
“Exercise Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option;
“Grantee”	any Eligible Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his Personal Representative(s) who is/are entitled to any Option in consequence of the death of the original Grantee;
“Group”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of the Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be);
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on Main Board of the Stock Exchange as amended, supplemented or otherwise modified from time to time;

<u>“Misconduct”</u>	<u>in relation to a Grantee, the Grantee wilfully disobeys a lawful and reasonable order, or misconducts himself/herself, or is guilty of fraud or dishonesty, or is habitually neglectful in his/her duties, or any other events which result in a summary dismissal of his/her employment;</u>
“Offer”	an offer for the grant of an Option;
“Offer Date”	the date, which must be a Business Day, on which an Offer is made to an Eligible Participant;
“Option”	an option to subscribe for the Shares granted pursuant to the Share Option Scheme;
“Option Period”	in respect of any particular Option, a period (which may not be later than ten (10) years from the Offer Date of that Option) to be determined and notified by the Directors to the Grantee thereof and, in the absence of such determination, from the Offer Date of such Option to the earlier of (i) the date on which such Option lapses; and (ii) ten (10) years from the Offer Date of that Option;
“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee (being an individual), is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised);
<u>“Remuneration Committee”</u>	<u>the remuneration committee of the Company established pursuant to the Listing Rules;</u>
<u>“RSU Scheme”</u>	<u>the restricted share unit scheme approved and adopted by the Company on the Amendment Date;</u>
“Shares”	ordinary share(s) of US\$0.00001 in the ordinary share capital of the Company, or, if there has been a subdivision, consolidation, re-classification, reduction or re-construction of the share capital of the Company, shares being the ordinary shares of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or reconstruction;

“Shareholder(s)”	holder(s) of the Shares;
“Share Option Scheme”	the share option scheme in its present form or as may be amended from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiaries”	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 the Company by virtue of certain contractual arrangements;
“Termination Date”	close of business of the Company on the date which falls ten (10) years after the Adoption Date;
“Trustee”	<u>means the trustee(s) to be appointed by the Board to hold Shares for the purpose of the Share Option Scheme; and</u>
“%”	percentage

1.2 In the Share Option Scheme:

- (a) paragraph headings are for ease of reference only and shall be ignored in construing the Share Option Scheme;
- (b) references to paragraphs or sub-paragraphs are references to paragraphs or sub-paragraphs hereof;
- (c) words importing the singular include the plural and vice versa;
- (d) words importing one gender include both genders and the neuter and vice versa;
- (e) references to persons include bodies corporate and unincorporated;
- (f) references to any statutory provisions or rules prescribed by any statutory bodies shall include the same as from time to time amended, consolidated and re-enacted; and
- (g) references to any statutory body shall include the successor thereof and any body established to replace or assume the functions of the same.

2 CONDITIONS

2.1 The Share Option Scheme is conditional upon:

- (a) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting of the Company; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

2.2 If any of the conditions referred to in paragraph 2.1 are not satisfied, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

2.3 A certificate of a Director that the conditions set out in paragraph 2.1 have been satisfied and the date on which such conditions were satisfied or that such conditions have not been satisfied as of any particular date and the exact date of the Adoption Date shall be conclusive evidence of the matters certified.

3 PURPOSE, DURATION AND ADMINISTRATION

3.1 The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Participants for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time.

3.2 The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall, save as otherwise provided in the Share Option Scheme, be final and binding on all persons who may be affected thereby. The Board shall have the right (i) to interpret and construe the provisions of the Share Option Scheme, (ii) to determine the persons who will be awarded Options under the Share Option Scheme, and the number and Exercise Price of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

For the purpose of the Share Option Scheme, the “Board” means the board of Directors or a duly authorized committee or person(s) delegated with the power and authority by the board of Directors to administer the Share Option Scheme.

- 3.3 Subject to the fulfillment of the effective conditions and the termination provisions, the Share Option Scheme shall be valid and effective until the Termination Date, after which period no further Options may be issued but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to give effect to the exercise of any Options granted but not exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.
- 3.4 The Company may appoint trustee to assist with the administration and vesting of Options granted pursuant to the Share Option Scheme. The Company may allot and issue Shares to the Trustee to be held by the Trustee for the benefit of specified Grantees. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the Share Option Scheme. Shares underlying the Options granted and to be granted under the Share Option Scheme may be transferred, allotted or issued to the Trustee for the benefit of specified Participants. The Trustee holding unvested Shares of the Share Option Scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

4 GRANT OF OPTIONS

- 4.1 Save as otherwise provided, the Board shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the Adoption Date to make an Offer as the Board may in their absolute discretion impose any conditions, restrictions or limitations in relation to the Options (which shall be stated in the letter containing the Offer) to any Eligible Participant to subscribe, and no person other than the Eligible Participant named in such Offer may subscribe, for such number of Shares at such Exercise Price as the Board shall, subject to adjustments to the Exercise Price referred to in paragraph 7, determine (provided the same shall be a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof):

any Eligible Employee, namely any full-time employee (excluding any director) of the Company and any Subsidiary,

and, for the purposes of the Share Option Scheme, the Offer may be made to any company wholly owned by one or more Eligible Participants.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by the Company, any Subsidiary, the Grantee or any group of Eligible Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme.

- 4.2** The eligibility of any of the Eligible Participants to an Offer shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution to the development and growth of the Group.
- 4.3** An Offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares and the Option Period in respect of which the Offer is made and further requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the Offer Date, provided that no such Offer shall be open for acceptance after the tenth anniversary of the Adoption Date or after the Share Option Scheme has been terminated in accordance with the provisions hereof.
- 4.4** An Offer shall have been accepted by an Eligible Participant in respect of all Shares under the Option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the Offer (which shall not be later than 21 days from the Offer Date). Such remittance shall in no circumstances be refundable.

5 RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

- 5.1** For so long as the Shares are listed on the Stock Exchange:
- (a) the Company may not make any Offer after inside information has come to the knowledge of the Company until (and including) the trading day after the Company has announced the information. In particular, the Company may not make any Offer during the period commencing one month immediately before the earlier of:
- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to announce its results for any year, half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No Option may be granted during any period of delay in publishing a results announcement.

6 EXERCISE PRICE

6.1 The Exercise Price in respect of any Option shall, subject to any adjustments made pursuant to paragraph 7 below, be determined at the absolute discretion of the Board, provided that it shall not be less than the ~~highest~~ higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; and
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and.
- (c) ~~the nominal value of the Shares.~~

7 ADJUSTMENTS TO THE EXERCISE PRICE

7.1 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a rights issue, consolidation or subdivision of the Shares, or reduction of the share capital of the Company or otherwise howsoever but shall not in any event exceed the limits imposed by the Listing Rules, then, in any such case the Company shall instruct the Auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (a) the number or nominal value of Shares to which the Share Option Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
- (b) the Exercise Price of any Option; and/or
- (c) (unless the relevant Grantee elects to waive such adjustment) the number of Shares consisted in an Option or which remains consisted in an Option,

and an adjustment as so certified by the Auditors or such independent financial adviser shall be made, provided that:

- (a) any such adjustment shall give the Grantee the same proportion of the issued Shares of the Company, rounded to the nearest whole share, for which such Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment;
- (b) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

- (c) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (d) any such adjustment shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange.

7.2 In respect of any adjustment referred to in paragraph 7.1 above, the Auditors or such independent financial adviser must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

8 EXERCISE OF OPTIONS

8.1 Besides otherwise determined by the Board and stated in the Offer to a Grantee, the exercise of any Option is subject to ~~a minimum holding period and~~ the achievement of the performance targets (if any), as described in the letter containing the Offer at the time of the grant of the Options, which shall be based on the performance of the Eligible Participant in terms of factors including but not limited to, as and when appropriate, research and development outcome, sales performance and punctuality and/or the operating or financial performance of the Group and the satisfaction of which shall be assessed and determined by the Board at its sole discretion.

8.2 Options that are vested as evidenced by the vesting notice shall be exercisable in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the Option remains unexercised is less than one board lot or where the Option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each notice exercising an Option must be accompanied by a remittance for the full amount of the aggregate Exercise Price multiplied by the number of for Shares in respect of which the notice is given.

8.3 Subject as hereinafter provided and subject to the terms and conditions upon which such Option was granted, an Option may (and may only) be exercised by the Grantee at any time or times during the Option Period.

8.4 The exercise of any Option shall be subject to the approval of shareholders of the Company at general meeting on any necessary increase in the authorised shares of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital to meet subsisting requirements on the exercise of any Option.

8A VESTING PERIOD AND CONDITIONS

8A.1 The vesting period shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of Option, all Options shall be exercisable in installments subject to the vesting period as follows:

- (i) 40% of the Options can be exercised one (1) year after the Offer Date;
- (ii) 30% of the Options can be exercised two (2) years after the Offer Date; and
- (iii) the remaining 30% of the Options can be exercised three (3) years after the Offer Date.

8A.2 In addition to any conditions of vesting stated in the letter containing the Offer, Options shall only be vested if the Grantee is still an Eligible Employee at the date of vesting as set out in the letter containing the Offer. For the avoidance of doubt, if a person ceases to be an Eligible Employee, notwithstanding the grounds, any Options granted but not yet vested shall be immediately forfeited and lapsed.

9 RANKING OF SHARES

9.1 Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and will entitle the holders thereof to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of the allotment. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly registered on the register of members of the Company as the holder thereof.

10 ~~41~~ MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

~~**10.1** Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares which may be allotted and issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group shall not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by the Group if the grant of such option will result in the limit referred to in this paragraph 10.1 being exceeded.~~

~~10.2~~ The aggregate number of Shares which may be allotted and issued upon exercise in respect of all Options to be granted under the Share Option Scheme shall not exceed 40,775,500 Shares (i.e. representing approximately 5%.0% of the total number of Shares in issue as at the Adoption-Amendment Date (i.e. not exceeding 40,775,500 Shares) (the aforementioned maximum number of Shares is subject to adjustment in the event of any alteration in the capital structure of the Company in accordance with paragraph 7, and in such case any additional Shares to be allotted and issued pursuant to the exercise of the Options granted under the Share Option Scheme which exceed 5% of the total number of Shares in issue as at the Adoption Date shall be subject to the Stock Exchange's approval of the listing of, and permission to deal in, such Shares). The total number of Shares which may be allotted and issued upon exercise in respect of all Options (excluding, and awards (for this purpose, options which have or awards lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme the RSU Scheme of the Group will not be regarded as utilized for the purpose of calculating the General Scheme Limit (as defined hereinafter)) to be granted under the Share Option Scheme and any other share option scheme the RSU Scheme of the Group must not in aggregate exceed 10% of the 60,775,500 Shares in issue on the Adoption Date (i.e. representing approximately 81,551,000 Shares) ("General Scheme Limit"), 7.5% of the total number of Shares in issue as at the Amendment Date) ("General Scheme Limit") (if the Company conducts a share consolidation or subdivision after the General Scheme Limit has been approved in general meeting, the General Scheme Limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share), provided that:

- (a) ~~subject to paragraph 10.1 and~~ without prejudice to paragraphs 10.21(b) and 10.1(c), the Company may issue a circular to its shareholders and seek approval of its shareholders at general meeting to refresh the General Scheme Limit after three years from the Amendment Date, or subsequently the date of Shareholders' approval for the last refreshment provided that the total number of Shares which may be allotted and issued upon exercise in respect of all Options options and awards to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit, and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option refreshed General Scheme Limit and any other share option scheme of the Group (if any)) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.0203C(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and;
- (b) any refreshment within any three year period must be approved by Shareholders subject to ~~paragraph 10.1~~ the following provisions:

- (i) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent nonexecutive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
- (ii) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules;
- (c) without prejudice to paragraphs 10.1(a) and 10.2(a)1(b), the Company may seek separate shareholders' approval at general meeting ~~to grant Options under the Share Option Scheme for granting options or awards beyond the General Scheme Limit or, if applicable, the refreshed scheme mandate limit referred to in paragraph 10.21(a) to Eligible Participants provided the options or awards in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a generic description the name of the each specified participants who may be granted such options or awards, the number and terms of options or awards to be granted, to each participant and the purpose of granting options or awards to the specified participants with an explanation as to how the terms of the options or awards serve such purpose. The number and terms of options or awards to be granted to such participant must be fixed before Shareholders' approval. In respect of any Options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price and such other information required under Rule 17.03E02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.~~

~~10.3 Subject to paragraph 10.4, the~~

~~10.2 The total number of Shares issued and to be issued upon exercise of the Options and the options granted under in respect of all options and awards granted under the Share Option Scheme and any other share schemes of the Group (excluding any options and awards lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the Shares in issue issue (i.e. not exceeding 8,155,100 Shares) from time to time. Where any further grant of Options to a Grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise in respect of all options and awards granted and to be granted to such person (including exercised, cancelled and outstanding Options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company at general meeting with such Grantee and his close associates (or his associates if the Grantee is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Grantee, the~~

number and terms of the ~~options~~ Options to be granted (and those options or awards previously granted to such Grantee), ~~in the information required under Rule 17.02(2)(d)~~ 12-month period), ~~the purpose of the Listing Rules granting options or awards to the participant and the disclaimer required under Rule 17.02(4)~~ an explanation as to how the terms of the Listing Rules, options or awards serve such purpose. The number and terms (including the exercise price) of ~~options~~ Options to be granted to such participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the ~~exercise price~~ Exercise Price under ~~note (1) to Rule 17.03(9)E~~ of the Listing Rules. In any event, the total number of Shares issued and to be issued in respect of Options under the Share Option Scheme (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) to each Grantee shall not exceed 40,775,500 Shares.

~~10.4 For the purpose of seeking the approval of the shareholders of the Company under paragraphs 10.2 and 10.3, the Company must send a circular to its shareholders containing the information required under the Listing Rules and the Grantee, his associates and all core connected persons of the Company under the Listing Rules shall abstain from voting in favour at general meeting.~~

11 ~~12~~-TRANSFERABILITY OF OPTIONS

11.1 An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do, except with the prior written consent of the Board from time to time. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option granted to such Grantee to the extent not already exercised.

12 ~~13~~-RIGHTS ON CEASING TO BE AN ELIGIBLE PERSON

12.1 Where the Grantee is an employee of the Group and his/her employment ceases for any reason other than death or becoming permanently disabled as described in 12.3 below, without prejudice to paragraphs 8A.2 and 14.1(d), the Option already vested to such employee may not be exercised after the expiry of 90-day period subsequent to the date of such cessation, which date shall be his last actual working day with the Company or any Subsidiary whether salary is paid in lieu of notice or not;

12.2 Where the Grantee is an employee of the Group and the Board at its absolute discretion determines that he is unable to pay or to have no reasonable prospect of being able to pay his debts, or has become insolvent, or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the Option granted to such Grantee may not be exercised on or after the date on which the Board has so determined;

- 12.3** Where the Grantee of an outstanding Option dies or becomes permanently disabled before exercising the Option in full or at all, without prejudice to paragraphs 8A.2 and 14.1(d), the Option already vested to such employee may not be exercised after the expiry of 90-day period subsequent to the date of his death or permanent disability. However, if the Board issues a written consent to his Personal Representatives after the date of his death or permanent disability, the Option may be transferred to the Personal Representative as soon as practicable. For the avoidance of doubt, all vesting conditions previously imposed on such Option shall still apply; and
- 12.4** If the Board at its absolute discretion determines that the Grantee or his close associate (or his associate if the Grantee is a connected person) has committed any breach of any contract entered into between the Grantee or his close associate (or his associate if the Grantee is a connected person) on one part and the Group on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, the Option granted to such Grantee may not be exercised on or after the date on which the Board has so determined.
- 12.5** In the event the Board determines that the Grantee (a) has committed a Misconduct; (b) is involved in a material misstatement in the Company's financial statements; (c) has committed a breach of the employment contract of the Grantee; or (d) the employment of the Grantee has been terminated on the grounds of Misconduct, the Board may at its absolute discretion forfeit all the outstanding Option granted to the relevant Grantee but not yet vested and exercised without the approval of the relevant Grantee.

13 14-RIGHTS ON GENERAL OFFER

- 13.1** If a general offer (whether by way of a take-over, share repurchase offer, scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, all the Grantees and any Grantee (or his Personal Representatives) may by notice in writing to the Company within 21 days after such offer becoming or being declared unconditional exercise the Option to its full extent or to the extent specified in such notice.

14 15-LAPSE OF OPTIONS

- 14.1** An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:
- (a) the expiry of the Option Period;

- (b) the date on which the Board shall exercise the Company's right to cancel the Option by reason of a breach of paragraph 11 by the Grantee in respect of that or any other Option;
 - (c) the date referred to in paragraph 12.2 and paragraph 12.4;
 - (d) the expiry of the 90-day period after the occurrence of any incidents stated in paragraph 12.1 and paragraph 12.3 ~~(without prejudice to paragraph 8A.2);~~
 - (e) the expiry of the period referred to in paragraph 13;
 - (f) the date of the commencement of winding-up of the Company;
 - (g) the date on which the Option is cancelled by the Board as provided in paragraph 15;
or
 - (h) the date on which the Board shall at its absolute discretion determine that the Eligible Participant is no longer qualified as an Eligible Participant by any other reason not stated above.
- 14.2** Transfer of employment of a Grantee who is an Eligible Employee from one member of the Group to another member of the Group shall not be considered cessation of employment. It shall not be considered cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of the Group not to be a cessation of employment of the Grantee.
- 14.3** The Company shall owe no liability to any Grantee for the lapse of any Option under this paragraph.

15 ~~17~~ CANCELLATION OF OPTIONS

- 15.1** Subject to paragraph 11 and Chapter 17 of the Listing Rules, any Option granted ~~but not exercised~~ may not be cancelled except with the prior written consent of the relevant Grantee and the approval of the Board.
- 15.2** Where the Company cancels any Option granted to a Grantee ~~but not exercised~~ and issues makes a new Option(s) grant to the same Grantee, the issue of such new grant of Option(s) may only be made with available ~~unissued Options (excluding, for this purpose, the Options so cancelled) within the~~ General Scheme Limit or the limits approved by the shareholders of the Company pursuant to paragraphs 10.2(a) ~~or 10.2(b)~~.1. The Options cancelled will be regarded as utilized for the purpose of calculating the General Scheme Limit or the aforesaid limits.

16 18-DISPUTES

16.1 Any dispute arising in connection with the number of Shares the subject of an Option, or any adjustment under paragraph 7.1 shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

17 ALTERATION TO THE SHARE OPTION SCHEME

17.1 ~~Subject to paragraphs 17.2~~ Save for (i) the definitions of “Eligible Employees” and “Eligible Participants”; and (ii) paragraphs 3, 4, 6, 7, 8, 8A, 9, 10, 11, 12.5, 14, 15, 17 and 18, which are the terms and conditions of the Share Option Scheme of a material nature or any alterations to the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of Participants must be approved by shareholders of the Company at general meeting and subject to paragraphs 17.3 and 17.4, the Share Option Scheme may be altered in any respect by a resolution of the Board ~~except that:~~

- (a) ~~the provisions of the Share Option Scheme as to the definitions of “Eligible Participants”, “Grantee”, “Option Period” and “Termination Date”;~~
- (b) ~~any alterations which are of material nature or any alterations to the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;~~

~~shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the must be approved by shareholders of the Company at general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the holders of the Shares under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.~~

17.2 ~~Subject to paragraph 17.3, any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the shareholders of the Company at general meeting~~ except change to the terms of the Options granted to a Grantee must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- 17.3 The amended terms of the Share Option Scheme or the Options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- 17.4 Any change to the authority of the Directors or the administrators of the Share Option Scheme ~~in relation to any alteration to~~ alter the terms of the Share Option Scheme must be approved by the shareholders of the Company at general meeting.
- 17.5 The Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

18 TERMINATION

- 18.1 The Company may by resolution at general meeting at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised or in respect of which Shares are not yet issued to the Grantee) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options (to the extent not already exercised or in respect of which Shares are not yet issued to the Grantee) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

19 MISCELLANEOUS

- 19.1 The Share Option Scheme shall not form part of any contract of employment between the Company, any Subsidiary and any Eligible Employee and the rights and obligations of any Eligible Employee under the terms of his office or employment shall not be affected by his participation in the Share Option Scheme or any right which he may have to participate in it and the Share Option Scheme shall afford such an Eligible Employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 19.2 The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.
- 19.3 The Company shall bear the costs of establishing and administering the Share Option Scheme, including any costs of the Auditors or any independent financial adviser in relation to the preparation of any certificate by them or provision of any other service in relation to the Share Option Scheme.

- 19.4** A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to holders of the Shares at the same time or within a reasonable time of any such notices or documents being sent to holders of Shares.
- 19.5** Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Grantee, his address in Hong Kong as notified to the Company from time to time or, if none or incorrect or out of date, his last place of employment with the Company or the Company's principal place of business in Hong Kong from time to time.
- 19.6** Any notice or other communication if sent by the Grantee shall be irrevocable and shall not be effective until actually received by the Company.
- 19.7** Any notice or other communication if sent to the Grantee shall be deemed to be given or made:
- (a) one (1) day after the date of posting, if sent by mail; and
 - (b) when delivered, if delivered by hand.
- 19.8** All allotments and issues of Shares pursuant to the Share Option Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being in force in the Cayman Islands or elsewhere and a Grantee shall, before accepting an Offer or exercising his Option, obtain all necessary consents that may be required to enable him to accept the Offer or to exercise the Option and the Company to allot and issue to him in accordance with the provisions of the Share Option Scheme the Shares falling to be allotted and issued upon the exercise of his Option. By accepting an Offer or exercising his Option, the Grantee thereof is deemed to have represented to the Company that he has obtained all such consents. Compliance with this paragraph shall be a condition precedent to an acceptance of an Offer by a Grantee and an exercise by a Grantee of his Options. A Grantee shall indemnify the Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs and expenses which the Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the Grantee to obtain any necessary consent or to pay tax or other liabilities referred therein.
- 19.9** A Grantee shall pay all tax and discharge all other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.

19.10 By accepting an Offer, an Eligible Participant shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for loss of any rights under the Share Option Scheme.

19.11 The Share Option Scheme and all Options granted shall be subject to the requirements of all applicable laws and the Listing Rules.

19.12 The Share Option Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.

1. DIRECTORS' AND CHIEF EXECUTIVE' S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive	Nature of interest	Number of ordinary Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽²⁾
Mr. Li Qing ⁽³⁾	Interest in controlled corporation	282,266,802	35.03%
Mr. Bai Wei ⁽⁴⁾	Interest in controlled corporation	15,447,304	1.92%

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 805,754,630 Shares in issue as at the Latest Practicable Date.
- (3) 278,329,802 Shares were held through Cresc Chorus, a company owned as to 81.96% by LuckQ, which in turn is wholly-owned by Mr. Li Qing and 3,937,000 Shares were held through Pondweed Holdings Limited, a company wholly-owned by Mr. Li Qing. Accordingly, Mr. Li Qing was deemed to be interested in such Shares held by Cresc Chorus and Pondweed Holdings Limited for the purpose of part XV of the SFO.
- (4) These Shares were held by Wade Data Services Limited (“Wade Data”) which was wholly-owned by Mr. Bai Wei. Accordingly, Mr. Bai Wei was deemed to be interested in such Shares held by Wade Data for the purpose of Part XV of the SFO.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as our Directors are aware, as at the Latest Practicable Date, the following persons have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽²⁾
Mr. Li Qing ⁽³⁾	Interest in controlled corporation	282,266,802	35.03%
Cresc Chorus ⁽³⁾	Beneficial owner	278,329,802	34.54%

Name	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽²⁾
LuckQ ⁽³⁾	Interest in controlled corporation	278,329,802	34.54%
Perfect World Interactive ⁽⁴⁾	Beneficial owner	132,593,999	16.46%
Perfect Game Speed Company Limited ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.46%
Perfect Freedom Company Limited ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.46%
Beijing Perfect World Software Technology Development Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.46%
Perfect World Games ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.46%
Perfect World ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.46%
Mr. Chi Yufeng (池宇峰) ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.46%
Image Frame ⁽⁵⁾	Beneficial owner	105,077,999	13.04%
Tencent ⁽⁵⁾	Interest in controlled corporation	137,698,399	17.09%
GIC Private Limited	Beneficial owner	64,388,221	7.99%

Notes:

- (1) All interests stated are long positions.
- (2) The percentages represented the number of Shares over the total issued share capital of the Company as at the Latest Practicable Date of 805,754,630 Shares.
- (3) Based on the latest disclosure of interest form filed by each of Cresc Chorus, LuckQ and Mr. Li Qing, Cresc Chorus was owned as to 81.96% by LuckQ, which was in turn wholly owned by Mr. Li Qing. Accordingly, each of LuckQ and Mr. Li Qing was deemed to be interested in all the Shares held by Cresc Chorus by virtue of the SFO.
- (4) Based on the confirmation made by Perfect World Group, as at the Latest Practicable Date, Perfect Game Speed Company Limited, Perfect Freedom Company Limited, Beijing Perfect World Software Technology Development Co., Ltd., Perfect World Games, Perfect World and Mr. Chi Yufeng. Perfect World Interactive was wholly owned by Perfect Game Speed Company Limited, which was in turn wholly owned by Perfect Freedom Company Limited. Perfect Freedom Company Limited was wholly owned by Beijing Perfect World Software Technology Development Co., Ltd., which was in turn wholly owned by Perfect World Games. Perfect World Games was wholly owned by Perfect World, which was in turn owned as to 34.36% by Mr. Chi Yufeng. Accordingly, each of Perfect Game Speed Company Limited, Perfect Freedom Company Limited, Beijing Perfect World Software Technology Development Co., Ltd., Perfect World Games, Perfect World and Mr. Chi Yufeng was deemed to be interested in all the Shares held by Perfect World Interactive by virtue of the SFO.
- (5) Based on the latest disclosure of interest form filed by Tencent as at the Latest Practicable Date, 105,077,999 Shares were held through Image Frame Investment (HK) Limited (“**Image Frame**”), a company wholly-owned by Tencent and 32,620,400 Shares were held through Image Flag Investment (HK) Limited (“**Image Flag**”), a company wholly-owned by Tencent. Accordingly, Tencent was deemed to be interested in all the Shares held by Image Frame and Image Flag by virtue of the SFO.

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group have been made up).

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) or were proposed to be acquired or disposed of by or leased to any member of the Group; and none of the Directors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the non-executive Director, Ms. Liu Ming, held directorship in certain companies principally engaged in game development and distribution. On the basis that Ms. Liu Ming is not involved in the daily management and operation of the Company and such companies, the directorship held by Ms. Liu Ming would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries under Rule 8.10 of the Listing Rules.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors in the employment of those companies which had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Position held in specific companies		
	Tencent	Perfect World	Perfect World Games
Ms. Liu Ming	vice president of Tencent Games, an online game platform operated by Tencent	–	–
Mr. Lu Xiaoyin	–	President and Co-Chief executive officer	chief executive officer

8. LITIGATION

As far as the Directors were aware of, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatening by or against any member of the Group as at the Latest Practicable Date.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert whose statements have been included in this circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity regulated activities under the SFO

Somerley Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, opinion and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Somerley Capital has not had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley Capital has not had any direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Harneys Fiduciary (Cayman) Limited, 4/F, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and the principal place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.
- (b) The Company's branch share registrar in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The joint company secretaries of the Company are Ms. Hao Lili and Ms. Zhang Xiao.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.zulong.com) for a period of not less than 14 days before the date of the EGM:

- (a) the RSU Scheme;
- (b) the renewed Tencent Game Cooperation Framework Agreement;
- (c) the letter from the Independent Financial Adviser as set out on pages 22 to 32 of this circular; and
- (d) the written consent of Somerley Capital referred to in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ARCHOSAUR GAMES INC.

祖龙娱乐有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9990)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Shareholders of Archosaur Games Inc. (the “**Company**”) will be held at Great meeting room, 8F, No. 8, Hangxing Science Park, No. 11 HePingLi East Street, Dongcheng District, Beijing, the PRC on Friday, 9 December 2022 at 2:00 p.m. (the “**Meeting**”) for the purposes of considering and, if thought fit, passing the following matters. Terms used in this Notice shall have the same meanings as those defined in the circular of the Company date 22 November 2022 (the “**Circular**”) unless otherwise defined.

ORDINARY RESOLUTIONS

To consider and, if thought fit, approve:

1. “**THAT** conditional upon the Stock Exchange granting approval of the listing of and permission to deal in the shares of the Company which may fall to be allotted and issued in respect of the RSUs granted under the RSU Scheme (a copy of which has been presented to this Meeting marked “A” and initialled by the chairman of this Meeting for identification purpose), the RSU Scheme be and is hereby approved and adopted; and the Directors be and are hereby authorised to grant RSUs and allot, issue and deal in the shares of the Company as may be required to be allotted and issued upon the conversion of any RSUs granted under the RSU Scheme; and to take all such steps as may be necessary or expedient to implement the RSU Scheme.”
2. “**THAT** the Proposed Amendments set out in Appendix II to the Circular and contained in the revised Share Option Scheme (a copy of which has been presented to this Meeting marked “B” and initialled by the chairman of this Meeting for identification purpose), are hereby approved, authorised and confirmed and the Directors are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed Amendments.”
3. “**THAT** the Tencent Game Cooperation Framework Agreement renewed by the Group and the Tencent Group on 4 November 2022 and the annual caps for the continuing connected transactions contemplated thereunder in relation to exclusive publishing and operation of the Group’s games by the Tencent Group for the three years from 1 January 2023 to 31 December 2025 are hereby approved and confirmed; and any Director of the Company is hereby authorized to sign or execute other documents or supplemental agreements or deeds on behalf of the Group and

NOTICE OF EXTRAORDINARY GENERAL MEETING

to do all such things and take all such actions as he/she may consider necessary or desirable for the purpose of giving effect to the renewed Tencent Game Cooperation Framework Agreement with such changes as he/she may consider necessary, desirable or expedient.”

Yours faithfully,
For and on behalf of the Board
Archosaur Games Inc.
Mr. Li Qing
Chairman and Executive Director

Beijing, China, 22 November 2022

As at the date of this notice, 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote on his/her behalf. A member who is a recognized clearing house within the meaning of the Securities and Futures Ordinance is entitled to appoint one or more proxies to attend and vote on its behalf. A proxy need not be a shareholder of the Company.
2. In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the above Meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, either personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
3. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above Meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above Meeting (or any adjourned meeting thereof) if they so wish.
4. The register of members of the Company will be closed from 6 December 2022 to 9 December 2022 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, 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, 5 December 2022 for registration of share transfer.
5. The votes at the Meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.