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## **ARCHOSAUR GAMES INC.**

**祖龙娱乐有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9990)**

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

As disclosed in the Prospectus and the Announcement, the Group entered into the Perfect World Game Cooperation Framework Agreement with the Perfect World Group on 10 June 2020 and renewed the agreement with the Perfect World Group on 4 November 2022. Pursuant to the renewed Perfect World Game Cooperation Framework Agreement, the Perfect World Group shall license certain IP rights on a non-exclusive basis to the Group to adapt and develop such IP to mobile or PC version of games, grant publishing rights of such games to the Group on an exclusive basis, and cooperate in the operation of such games. In view of more-than-expected revenue and popularity of the game under the renewed Perfect World Game Cooperation Framework Agreement, the Board expects that the Existing Annual Caps will be insufficient to satisfy the licensing fees and/or the amount of revenue sharing to be incurred by the Group to the Perfect World Group for the three years ending 31 December 2025, and therefore resolved to revise the relevant annual caps.

As the highest applicable percentage ratio for each of the three years ending 31 December 2025 in respect of the revised annual caps for the continuing connected transactions contemplated under the renewed Perfect World Game Cooperation Framework Agreement is expected to be 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the renewed Perfect World Game Cooperation Framework Agreement is only subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **BACKGROUND**

As disclosed in the Prospectus and the Announcement, the Group entered into the Perfect World Game Cooperation Framework Agreement with the Perfect World Group on 10 June 2020 and renewed the agreement with the Perfect World Group on 4 November 2022. Pursuant to the renewed Perfect World Game Cooperation Framework Agreement, the Perfect World Group shall license certain IP rights on a non-exclusive basis to the Group to adapt and develop such IP to mobile or PC version of games, grant publishing rights of such games to the Group on an exclusive basis, and cooperate in the operation of such games.

Under the renewed Perfect World Game Cooperation Framework Agreement, the licensing fees and/or revenue sharing to be incurred by the Group to the Perfect World Group shall be determined upon arm's length negotiation between the parties with reference to (i) the quality and popularity of the original IP; (ii) the prevailing fee structure and pricing terms of comparable IPs in the market; and (iii) the potential revenue and profitability from the game. Based on the historical licensing fees paid for original IPs from independent licensors and the fee quotes provided by other independent licensors of similar IPs, the Company will be able to ensure that the fees to be incurred to the Perfect World Group by the Group represents the prevailing market price and on normal commercial terms that are no less favorable to the Group. The term of the renewed Perfect World Game Cooperation Framework Agreement commenced on 1 January 2023 and will expire on 31 December 2025.

The annual caps for the transactions contemplated under the renewed Perfect World Game Cooperation Framework Agreement for the three years ending 31 December 2025 (the “**Existing Annual Caps**”) are RMB6.58 million, RMB6.10 million and RMB5.47 million, respectively, as disclosed in the Announcement.

### **REVISED ANNUAL CAPS**

Based on the actual transaction amount of revenue sharing under the renewed Perfect World Game Cooperation Framework Agreement, the licensing fees and/or the amount of revenue sharing incurred by the Group to the Perfect World Group amounted to approximately RMB5.63 million for the ten months ended 31 October 2023 (the “**Period**”), which is approaching the existing annual cap for the year ending 31 December 2023 of RMB6.58 million.

In view of the revenue and popularity of the game Fantasy Zhuxian (夢幻誅仙) under the renewed Perfect World Game Cooperation Framework Agreement exceeding the expectation due to the favorable results of the relevant activities and promotions carried out during the Period, it is expected that the Existing Annual Caps will be insufficient to satisfy the licensing fees and/or the amount of revenue sharing to be incurred by the Group to the Perfect World Group for the three years ending 31 December 2025. On 1 December 2023, the Board has resolved to revise the Existing Annual Caps as follows:

	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revised annual caps	7.50	7.20	7.00

The revised annual caps (the “**Revised Annual Caps**”) for the transactions contemplated under the renewed Perfect World Game Cooperation Framework Agreement for the three years ending 31 December 2025 set out above are determined based on (i) the actual licensing fees and/or the amount of revenue sharing incurred by the Group to the Perfect World Group during the Period; (ii) the revenue and popularity of the game Fantasy Zhuxian (夢幻誅仙) exceeding expectations due to favorable results of the relevant activities and promotions carried out during the Period; (iii) the corresponding adjustment to the annual caps for the two years ending 31 December 2025 considering the current life cycle of Fantasy Zhuxian (夢幻誅仙); and (iv) certain buffer to cater for the demand for cooperation with Perfect World Group for Fantasy Zhuxian (夢幻誅仙) from time to time.

No changes or modifications have been made to the terms of the renewed Perfect World Game Cooperation Framework Agreement. For further details, please refer to the section headed “Renewal of Existing Continuing Connected Transactions – (C) Perfect World Game Cooperation Framework Agreement – 5. Game Cooperation with Perfect World Group” in the Announcement.

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

As disclosed in the Announcement, the Perfect World Group owns certain exclusive IP rights which are suitable to be adapted into mobile or PC games and has a proven track record of producing top turn-based game with a loyal following of game players in the PRC. It is expected that the Group could leverage on each other’s competitive advantages in game development.

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

## **INTERNAL CONTROL MEASURES**

The Company has adopted the following internal control measures to ensure that the terms of the transactions contemplated under the Group’s continuing connected transaction framework agreements, including the renewed Perfect World Game Cooperation Framework Agreement, are fair and reasonable and in compliance with the annual caps of the transactions contemplated under the continuing connected transaction framework agreements:

- (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 continuing connected transaction framework agreements. 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 continuing connected transaction framework agreements on an annual basis to check and confirm, among other things, whether the relevant annual caps have been exceeded.
- (iv) The independent non-executive Directors and the risk management committee of the Company will review the continuing connected transactions under the continuing connected transaction framework agreements 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 continuing connected transaction framework agreements.

## **LISTING RULES IMPLICATIONS**

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

As the highest applicable percentage ratio for each of the three years ending 31 December 2025 in respect of the Revised Annual Caps is expected to be 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the renewed Perfect World Game Cooperation Framework Agreement is only subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lu Xiaoyin, a non-executive Director, is an employee of the Perfect World Group and therefore has abstained from voting on the relevant resolutions at the Board meeting for revising the annual caps of the continuing connected transactions under the renewed Perfect World Game Cooperation Framework Agreement. Save as disclosed above, none of the other Directors has or is deemed to have material interests in the transactions contemplated under such continuing connected transaction framework agreement.

## **GENERAL INFORMATION OF THE COMPANY AND PERFECT WORLD**

The Group is a pioneer in China's mobile game industry with more than 20 years of research and development experience, focusing on developing high-quality mobile MMORPGs, SLGs, female-oriented, shooting, strategy card games and other genres.

Perfect World is primarily engaged in research, development, distribution and operation of online games; production and distribution of TV dramas and films and other businesses.

## DEFINITIONS

“Announcement”	the announcement of the Company dated 4 November 2022, in relation to, among other things, the renewal of the Perfect World Game Cooperation Framework Agreement
“Board”	board of the Directors of the Company
“Company”	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 9990)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“IP”	intellectual property
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“Perfect World”	Perfect World Co., Ltd. (完美世界股份有限公司), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002624)
“Perfect World Game Cooperation Framework Agreement”	a game cooperation framework agreement entered into between the Group and the Perfect World Group on 10 June 2020 and renewed on 4 November 2022
“Perfect World Group”	Perfect World and/or its respective affiliate(s) and/or subsidiaries
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 30 June 2020
“RMB”	Renminbi, legal currency of the PRC

“Share(s)”	ordinary share(s) with par value of US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company
“SLG”	simulation games, a genre of games that attempt to emulate various activities from real life in the game format
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Beijing, China, 1 December 2023

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Li Qing as Chairman and an Executive Director, Mr. Bai Wei as an Executive Director, Ms. Liu Ming and Mr. Lu Xiaoyin as Non-executive Directors, and Mr. Bai Kun, Mr. Zhu Lin and Mr. Ding Zhiping as Independent Non-executive Directors.*