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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Archosaur Games Inc. (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**Results Announcement**”). The annual results have been audited by PricewaterhouseCoopers, the Company’s auditor, in accordance with International Standards on Auditing.

## FINANCIAL PERFORMANCE HIGHLIGHTS

	<b>For the year ended 31 December</b>		
	<b>2023</b>	2022	Change
	(RMB million)	(RMB million)	%
<b>Revenue</b>	<b>908.5</b>	584.1	55.5%
Cost of revenue	<u>(258.1)</u>	<u>(160.5)</u>	<u>60.8%</u>
<b>Gross profit</b>	<b>650.4</b>	423.6	53.5%
Research and development expenses	<b>(582.2)</b>	(746.3)	(22.0%)
Selling and marketing expenses	<b>(274.5)</b>	(280.6)	(2.2%)
Administrative expenses	<b>(105.1)</b>	(108.2)	(2.9%)
Net impairment losses on financial assets	<b>(15.3)</b>	(0.2)	7,550.0%
Other income	<b>7.6</b>	3.9	94.9%
Other losses, net	<u>(37.9)</u>	<u>(63.6)</u>	<u>(40.4%)</u>
<b>Operating loss</b>	<b>(357.0)</b>	(771.4)	(53.7%)
Finance income	<b>51.6</b>	23.5	119.6%
Finance costs	<u>(4.3)</u>	<u>(6.4)</u>	<u>(32.8%)</u>
Finance income, net	<b>47.3</b>	17.1	176.6%
Share of results of investments accounted for using the equity method	<u>(18.1)</u>	<u>(13.5)</u>	<u>34.1%</u>
<b>Loss before income tax</b>	<b>(327.8)</b>	(767.8)	(57.3%)
Income tax credit/(expense)	<u>12.2</u>	<u>(0.7)</u>	<u>(1,842.9%)</u>
<b>Loss for the year</b>	<b><u>(315.6)</u></b>	<b><u>(768.5)</u></b>	<b><u>(58.9%)</u></b>
<b>Non-IFRS measure:</b>			
Adjusted net loss <sup>(1)</sup>	<b><u>(282.9)</u></b>	<b><u>(731.9)</u></b>	<b><u>(61.3%)</u></b>

Note:

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

## CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2023.

### Whole-Year Review and Outlook

Archosaur Games is a leading mobile gaming company in China with more than twenty years of research and development experience. We hold the vision of being a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience. As at 31 December 2023, we have launched 20 mobile games with multiple regional versions available in more than 170 regional markets in 14 languages. Our product matrix includes MMORPG, SLG, female-oriented, strategy card and other genres.

In 2023, Archosaur Games demonstrated extraordinary resilience and enterprising spirit and achieved remarkable results with the Company’s revenue increasing significantly over the previous year. The Company’s self-developed and self-published project, Life Makeover (以閃亮之名), has achieved outstanding results worldwide, and as at the date of this Results Announcement, the global cumulative gross billings generated by the game exceeded RMB1 billion. We are fully aware that in a highly competitive and complex market, only by focusing on the present and reducing costs and increasing efficiency can we open up wider room for survival. The Company has recently terminated its plan to launch the Avatar project, thereby consolidating and focusing its advantageous resources on more profitable product projects and creating a more favourable environment for the Company’s future development.

### Stabilizing on the new track and co-creation of a new ecology

Continuously exploring new genres and broadening new tracks are the important development directions that Archosaur Games adheres to. We dare to break through our comfort zone and dedicate efforts on the launch of Life Makeover (以閃亮之名), focusing on development and thus gaining a solid foothold in the female-oriented games, especially the dress-up subgenre. Since its launch, the game has provided a wide range of exquisite costumes, hairstyle and make-up, and colorful homeland materials, including the national intangible cultural heritage of China “Sichuan embroidery” (蜀繡), Chinese wedding dress “phoenix coronet and robe” (鳳冠霞帔), Dunhuang theme and other elements of traditional Chinese culture, constantly stimulating player’s enthusiasm for creation with these liberal and rich contents. User-generated content (UGC), as an important component of the game ecosystem, not only promotes communication among players but also further enriches the game content and enhances the playability of the game. Since its launch, the game has been widely praised and highly recognized by players and the industry, including but not limited to the nominations of “Excellent Mobile Game” and “Excellent Game Art Design” awards in December 2023 by China Audio-video and Digital Publishing Association, and “Outstanding New Game of the Year 2023 of Weibo Game Awards” in January 2024. We will uphold our player-oriented principle and continue to deepen the fertile soil of female-oriented games, continuously expanding and advancing on the high-quality new track we have established.

## **Implementing the strategy of high-quality products and expansion of advantageous genres**

The implementation of the core strategy of high-quality products is reflected in the continuous pursuit of quality of existing games, and even more so in the continuous refining and the in-depth multi-dimensional consideration of future products. From the MMORPG products in which we have accumulated profound experience and have leading edge and proven R&D strength, such as Loong Craft (六龍爭霸) and Fantasy Zhuxian (夢幻誅仙), to the next generation real 3D mobile game DragonRaja (龍族幻想), to the first high-quality SLG product Under the Firmament (鴻圖之下), also the first female-oriented product Life Makeover (以閃亮之名), all of these products are the proof of our implementation, exploration and innovation of high-quality products strategy. The core values of truth, goodness and beauty, rich cultural heritage, advanced creation concepts, high-quality gameplay design, leading technological implementation as well as superb art and audiovisual elements, etc., are all concrete manifestations of the high-quality of our game products.

Going forward, we will continue to implement the strategy of high-quality products and introduce new products to enrich the product matrix. For example, Project Code: IM is a Chinese-style idle RPG game powered by Unreal Engine 4, and it allows players to gain a great sense of battle strike and strategic interest in the ambience of Chinese-style graphics and sound effects. Another SLG product, Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業), is created using a well-known IP. While inheriting the core advantages of our first high-quality SLG product Under the Firmament (鴻圖之下), it has further enriched the differentiated gameplay. Project Code: Odin is a MMORPG+ game adapted based on the Dragon Raja (龍族) series of novels and developed through Unreal Engine 5. On the basis of ensuring the ultra-high quality of the game itself, we fully tap the potential and influence of classic IPs and promote multiple product lines together, thus generating strong attraction to cover a wider audience.

## **Honing the integration of R&D and operation for grasping a global layout**

Life Makeover (以閃亮之名), a product independently developed and published by us, became an instant hit after it was launched in Singapore, Malaysia, Japan and other areas in the second half of 2022. It was also launched in mainland China, Europe, the Americas, Thailand, Indonesia, Vietnam and other areas in 2023, achieving success in different areas successively. Life Makeover (以閃亮之名) regularly and continuously launches events and new gameplay through its exquisite art design, superb technical strength and efficient project management skills, and has gained extremely high user stickiness and a highly interactive player community, therefore bringing close positive revenue feedback. There are also a number of classic games in operation that continue to contribute steadily to the Group's global revenue. For example, Dragon Raja (龍族幻想) had excellent long-term performance, and as at 31 December 2023, its cumulative gross billings generated in areas outside mainland China exceeded RMB2 billion. The outstanding market performance and global publishing layout of these products have fully reflected our high priority and confidence in the globalized strategy. The success of Life Makeover (以閃亮之名) has proven the excellent self-development and self-publishing capabilities of Archosaur Games. At the same time, we have a number of products in our game pipeline that we plan to launch in the future through self-publishing. Going forward, we will continue to adhere to the core strategy of globally integrating R&D and operation and further explore the overseas market. We believe that empowering refined operation with our diversified matrix products will help Archosaur Games stand out in the era of launching games abroad, thereby contributing more high-quality games to hundreds of millions of players around the world.

## **Embracing cutting-edge technology and empowerment of product upgrades with technology**

Taking innovation as the sail and technology as the oar, continuous improvement and exploration is the spirit of Archosaur Games. We are well aware that there is a natural “resonance” effect between the game industry and technological innovation. Only by actively embracing advanced technology and strengthening the integration of technology and products can we remain standing in the wave of game industry development and always be at the forefront of the industry. As a developer in the industry which was pioneer of conducting research on and make use of Unreal Engine in developing mobile games, we continue to deepen the use of Unreal Engine technology in multiple products. Leveraging the powerful expressive power of Unreal Engine 4, Life Makeover (以閃亮之名) brings an unprecedented shock to players in terms of visual effects. The details of costumes and fabrics are vivid and perfectly restored, providing players with a realistic feeling. With the support of advanced material mapping and rendering technology, we continuously improve and optimize the influence of light sources, translucent effects, shadow casting, etc. in order to achieve outstanding performance that far exceeds similar products on the market. As one of the five mainland Chinese developers cooperating with Epic Games on Unreal Engine 5 technology, we took the lead in laying out the research and development of Unreal Engine 5. Project Code: Odin is an innovative product developed using this technology. In terms of artificial intelligence-generated content (AIGC), Archosaur Games keeps pace with the technological development trend, conducts targeted research on the reaction speed, character shaping and content authenticity of NPC and other topics, and relies on deep training and tool application to improve R&D efficiency and release the productivity of elites and talents. With the continuous iterative upgrade of its own technology as well as the emergence of new products using cutting-edge technology, Archosaur Games is bound to achieve larger user coverage.

## **Prospects**

Archosaur Games has been adhering to the original intention of providing high-quality content to players since its founding, and is committed to continuously launching phenomenal quality games with unremitting enthusiasm and unswerving dedication. Facing a market environment full of volatility and uncertainty, we will further return to the essence and original intention of making games on the basis of maintaining our technical and artistic advantages. We will be fully committed to gameplay design and game innovation with a realistic attitude, so as to organically combine innovation and fun. Looking forward into 2024, more blockbuster products such as Project Code: IM, Project E and Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業) are worth looking forward to. We expect our rich pipeline will bring more development opportunities to Archosaur Games. We will continue to adhere to the core strategy of quality and globalization, and continuously develop industry-leading quality games of various genres, creating excellent online entertainment experiences for players worldwide.

## **Appreciation**

The Board would like to take this opportunity to express our heartfelt gratitude to all the management and employees for their dedicated efforts in 2023. We would also like to express our gratitude to investors and people from all sectors for their long-term trust and support. We will continue to focus on improving the Company's intrinsic value and the efficiency of the resources utilization and search for certainty amidst the uncertainties, thereby creating value steadily and efficiently for users, investors and the overall gaming industry.

**Li Qing**

*Chairman of the Board*

Archosaur Games Inc.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Our mission is to be a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience.

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

In terms of deepening the implementation of our strategy of high-quality products, we have continued to pursue the improvement of the quality of our existing games. At the same time, we have continued to refine our pipeline with the in-depth multi-dimensional consideration, and integrated and deployed our resources in projects with a higher investment-to-output ratio, which has further enhanced the efficiency of the utilization of our resources. Meanwhile, in addition to consolidating our advantageous genres, we have continued to make efforts in new genres and new tracks, and gained excellent market feedback on female-oriented products with superb game quality and refined game operation. We will continue to uphold our strategy of integrating operation and research and development, and further explore overseas markets. In addition, as a result of our ongoing in-depth research on Unreal Engine 5, we are developing a revolutionary product through Unreal Engine 5 and will continue to deepen the utilization of Unreal Engine technology in a number of products.

## ***Our Existing Games***

We mainly focus on the development of mobile MMORPGs, SLGs, female-oriented, strategy card games and other genres, and offer a high-quality and diversified product portfolio with excellent market reputation. As at the date of this Results Announcement, we had launched 20 high-quality mobile games with multiple regional versions in 14 languages available in more than 170 regional markets. The cumulative number of global registered players of 13 mobile games in operation had surpassed 150 million, among which (i) the global cumulative gross billings generated by 2 mobile games had exceeded RMB4 billion; (ii) the global cumulative gross billings generated by a mobile game had been between RMB3 billion to RMB4 billion; (iii) the global cumulative gross billings generated by 4 mobile games had been between RMB1 billion to RMB3 billion; and (iv) the gross billings generated by 8 mobile games had exceeded RMB100 million in the first month after they were launched in mainland China.

Life Makeover (以閃亮之名) is an ultra-free fashionable female-oriented game which was developed by new generation of female production and planning team of the Company. The mobile version of the game was launched in mainland China in March 2023, and in Europe, the Americas, Thailand, Indonesia, Vietnam and other areas in May 2023. The game topped the Top Free Games Chart of the iOS App Store in mainland China on the first day of launch and dominated the Chart for four consecutive days, and entered top 10 of the Bestsellers Games Chart for iOS in mainland China on the next day of its launch. The game ranked the second place on the Top Free Games Chart for iOS on the first day of its launch in the United States, and topped the Top Free Games Chart for iOS on the first day of its launch in Thailand, Indonesia and Vietnam. The PC version of the game was launched in mainland China in September 2023, and was available on both Epic and Steam in November. Relying on Unreal Engine 4, Life Makeover (以閃亮之名) has raised the overall visual quality of the game, as well as the detailed modelling of the characters' costumes to a new level with the support of advanced material mapping and rendering technologies. Life Makeover (以閃亮之名) launches regular update activities to enrich the game's playability continuously through the Company's mature and efficient research and development and operation management. With the regular and continuous launch of the update activities, the game has repeatedly entered the front of the Bestsellers Games Chart of the iOS App Store in mainland China, with the best result reaching the top three. The activities have brought close positive revenue feedback while increasing user stickiness. The game has also launched joint activities and customized development based on local folk culture and aesthetic preferences, such as incorporating the "Sichuan embroidery" (蜀繡), a national intangible cultural heritage of China, into the game, and increasing the differentiation options of the skin of the characters in the game. The game has established an excellent reputation and attracted a large number of players due to its superb product quality. A stable game ecosystem is formed by virtue of its sound development model, bringing positive and considerable long-term revenue to the Group. As at 31 December 2023, the cumulative number of registered users of Life Makeover (以閃亮之名) exceeded 12 million.

Dragon Raja (龍族幻想) is the first next generation real 3D mobile MMORPG developed through Unreal Engine 4 in China. The game had been a huge success in mainland China and had performed exceptionally well in areas outside mainland China. The game keeps providing players a wealthy choice of professions, maps, gameplay and other content through the events such as anniversary celebrations and version updates, and ensures its stable and excellent long-term revenue with elaborate research and development and operation. As at 31 December 2023, the cumulative gross billings of the game had exceeded RMB4.4 billion and the cumulative number of global registered players of the game was more than 44 million.

Under the Firmament (鴻圖之下) is our first mobile SLG developed through Unreal Engine 4. We continue to update our game content, introducing new seasons, new generals, upgradable camp skins and others. We have also enriched our gameplay by organizing challenge events and launching a new equipment system, which has effectively increased user satisfaction and user stickiness. As at 31 December 2023, the cumulative gross billings of Under the Firmament (鴻圖之下) was over RMB1.6 billion, and the number of accumulated registered players reached more than 7.3 million.

In addition to the above games, games under operation, including Fantasy Zhuxian (夢幻誅仙), World of Kings (萬王之王3D), Love & Sword (御劍情緣) and Loong Craft (六龍爭霸) had a relatively stable performance and continued to make contributions to the Group's revenue in 2023. Among them, as at 31 December 2023, the global cumulative gross billings generated by Fantasy Zhuxian (夢幻誅仙) had exceeded RMB4 billion.

### ***Our Game Pipeline***

To build up a diversified game portfolio across a wide range of genres, eight game products are expected to be launched globally over the period from 2024 to 2026, covering the genres of MMORPGs, SLGs, idle RPG, strategy card games and others.

As at the date of this Results Announcement, the table below sets out certain information regarding our new games which are expected to be launched for the periods indicated, including title, genre, IP source, development stage, expected launch year and major markets.

<b>Title<sup>(1)</sup></b>	<b>Genre<sup>(1)</sup></b>	<b>IP source<sup>(1)</sup></b>	<b>Development stage as at the date of this Results Announcement<sup>(1)</sup></b>	<b>Expected launch year<sup>(1)</sup></b>	<b>Major markets<sup>(1) (2)</sup></b>
<b>2024</b>					
Project Code: IM	Idle RPG	Original IP	Game Testing	2024	Asia
Project E	Strategy Card Game	Licensed IP	Game Testing	2024	Worldwide
Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業)	SLG	Licensed IP	Game Testing	2024	Asia
<b>2025</b>					
Project Code: Odin	MMORPG+	Licensed IP	Game Production	2025	Worldwide
Project F	MMORPG+	–	Game Proposal	2025	Worldwide
Project G	Numerical Card Game	–	Game Proposal	2025	Worldwide
<b>2026</b>					
Project H	MMORPG	–	Game Proposal	2026	Worldwide
Project I	Card Game	–	Game Proposal	2026	Worldwide

*Notes:*

- (1) The game pipeline is for indicative purpose only as at the date of this Results Announcement. The title, genre, IP source, development stage, expected launch year, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and pre-approval status.
- (2) The major markets refer to target publishing markets. The games will be launched successively in different regions according to their respective publishing plans.

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

Project Code: IM is a mobile Chinese-style idle RPG game powered by Unreal Engine 4. The game adopts the numerical RPG gameplay of the cultivation theme, where players can freely choose between going around and practice and hang-up, as well as experience the cultivation gameplay. The game has turn-based battle mode of both PvP (Player-vs-Player) and GvG (Group-vs-Group), which allows players to gain a better sense of battle strike and strategic interest in the ambience of Chinese-style graphics and Chinese-style sound effects. The game is planned to be released by the way of self-publishing, and a new round of testing has already been completed in January 2024.

Project E is a strategy card game adapted and developed based on the Dragon Raja (龍族) series of novels and animations and powered by Unreal Engine 4. Based on the original settings, the game features detailed character design and character illustration, as well as innovative gameplay to enhance the battle experience, and an integration of competition such as PvP, manor and community with casual social gameplay, as well as character storylines and backstories to enhance players' sense of immersion and playability. The game is planned to be released by the way of self-publishing, and a new round of testing has already been completed in January 2024. The beta version has been upgraded in terms of art and storyline, and has received a lot of positive feedback from players.

Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業) is a SLG game based on the IP of Sango Heroes (三國群英傳), which inherits the core strengths of Under the Firmament (鴻圖之下) and enriches the differentiated gameplay with a high degree of IP reproduction to create a more diverse battle strategy and battle experience. The first paid testing of the game has been completed and the game is progressing well.

Project Code: Odin is a MMORPG+ game adapted from the Dragon Raja (龍族) series of novels and powered by Unreal Engine 5.

During the Reporting Period, we recorded revenue of RMB908.5 million, representing an increase of 55.5% as compared with RMB584.1 million for the same period in 2022, which was primarily attributable to the launch of Life Makeover (以閃亮之名) in regions including mainland China, Europe, the Americas and Southeast Asia during the Reporting Period. In the future, with the expansion of our product genres from MMORPGs, SLGs and female-oriented to strategy cards and other more diversified games, and with a variety of styles and the continuous improvement of our organic model of integrating operation and research and development, the lifecycle of our games is expected to be further extended, which will make a more stable and sustainable contribution to the Group's revenue.

## FINANCIAL REVIEW

### REVENUE

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

	For the year ended 31 December			
	2023		2022	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
Development and licensing	185.9	20.4%	238.4	40.8%
–Revenue share	146.5	16.1%	215.3	36.8%
–Non-refundable fixed licensing fees	39.4	4.3%	23.1	4.0%
Integrated game publishing and operation	709.3	78.1%	345.4	59.1%
Others	13.3	1.5%	0.3	0.1%
<b>Total</b>	<b>908.5</b>	<b>100.0%</b>	<b>584.1</b>	<b>100.0%</b>

For the year ended 31 December 2023, our revenue from development and licensing was RMB185.9 million, representing a decrease of 22.0% from RMB238.4 million for the year ended 31 December 2022, and our revenue from integrated game publishing and operation was RMB709.3 million, representing an increase of 105.4% from RMB345.4 million for the year ended 31 December 2022.

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

	For the year ended 31 December			
	2023		2022	
	(RMB million)	% of total revenue	(RMB million)	% of total revenue
Mainland China	592.1	65.2%	179.3	30.7%
Areas outside mainland China	316.4	34.8%	404.8	69.3%
<b>Total</b>	<b>908.5</b>	<b>100.0%</b>	<b>584.1</b>	<b>100.0%</b>

For the year ended 31 December 2023, our revenue generated from mainland China was RMB592.1 million, representing an increase of 230.2%, from RMB179.3 million for the year ended 31 December 2022, and our revenue generated from areas outside mainland China was RMB316.4 million, representing a decrease of 21.8%, from RMB404.8 million for the year ended 31 December 2022.

The increase in total revenue was mainly attributable to the launch of Life Makeover (以閃亮之名) in regions including mainland China, Europe, the Americas and Southeast Asia during the Reporting Period.

## COST OF REVENUE

The following table sets out a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our cost of revenue for the years indicated:

	For the year ended 31 December			
	2023		2022	
	(RMB million)	% of total cost of revenue	(RMB million)	% of total cost of revenue
Commissions charged by distribution channels and payment channels	175.3	67.9%	106.5	66.4%
Bandwidth and servers custody fee	23.5	9.1%	16.2	10.1%
Allowance for impairment on intangible assets	22.3	8.6%	–	–
Revenue share to the IP holders	15.2	5.9%	19.9	12.4%
Employee benefit expenses	13.0	5.0%	12.1	7.5%
Depreciation and amortization charges	2.2	0.9%	2.1	1.3%
Others	6.6	2.6%	3.7	2.3%
<b>Total</b>	<b>258.1</b>	<b>100.0%</b>	<b>160.5</b>	<b>100.0%</b>

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels; and (ii) bandwidth and servers custody fee; and (iii) allowance for impairment on intangible assets. Our cost of revenue increased to RMB258.1 million for the year ended 31 December 2023 as compared with RMB160.5 million for the year ended 31 December 2022, which was mainly attributable to the increase in commissions charged by distribution channels and payment channels in relation to the integrated game publishing and operation business.

## GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2023, the gross profit of the Group increased by 53.5% to RMB650.4 million as compared with RMB423.6 million for the year ended 31 December 2022, which was primarily attributable to the increase in revenue due to the launch of Life Makeover (以閃亮之名) in regions including mainland China, Europe, the Americas and Southeast Asia during the Reporting Period. The gross profit margin of the Group decreased to 71.6% for the year ended 31 December 2023 from 72.5% for the year ended 31 December 2022, which was basically the same during these two comparable periods.

## **RESEARCH AND DEVELOPMENT EXPENSES**

Our research and development expenses primarily consisted of (i) employee benefit expenses; (ii) outsourced technical services; and (iii) depreciation and amortization charges. For the year ended 31 December 2023, our research and development expenses decreased by 22.0% to RMB582.2 million as compared with RMB746.3 million for the year ended 31 December 2022, mainly attributable to cost control in employee benefit expenses and outsourced technical services.

## **SELLING AND MARKETING EXPENSES**

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the year ended 31 December 2023, our selling and marketing expenses decreased by 2.2% to RMB274.5 million as compared with RMB280.6 million for the year ended 31 December 2022, basically stable during these two comparable periods.

## **ADMINISTRATIVE EXPENSES**

Our administrative expenses primarily consisted of (i) employee benefit expenses; and (ii) auditors' remuneration and other professional consulting fees. For the year ended 31 December 2023, our administrative expenses decreased by 2.9% to RMB105.1 million as compared with RMB108.2 million for the year ended 31 December 2022, basically stable during these two comparable periods.

## **OTHER INCOME**

For the year ended 31 December 2023, our other income increased by 94.9% to RMB7.6 million as compared with RMB3.9 million for the year ended 31 December 2022, due to the increase in government grants.

## **OTHER LOSSES, NET**

Our net other losses primarily consisted of (i) losses on financial instruments at fair value through profit or loss; and (ii) foreign exchange losses. For the year ended 31 December 2023, our net other losses decreased by 40.4% to RMB37.9 million as compared with RMB63.6 million for the year ended 31 December 2022, mainly attributable to the (i) the decrease in foreign exchange losses and (ii) less losses on financial instruments at fair value through profit or loss.

## **FINANCE INCOME, NET**

Finance income represented interest income from bank deposits, including bank balance and term deposits. Finance costs primarily consisted of interest expenses accrued from our lease liabilities. For the year ended 31 December 2023, the net finance income increased by 176.6% to RMB47.3 million as compared with RMB17.1 million for the year ended 31 December 2022, mainly attributable to an increase in interest income arising from the balance of US\$ term deposits and bank balance.

## **INCOME TAX CREDIT/(EXPENSE)**

Our income tax credit/(expense) consisted of current income tax expense and deferred income tax. For the year ended 31 December 2023, our income tax credit was RMB12.2 million, as compared with income tax expense of RMB0.7 million for the year ended 31 December 2022, mainly attributable to the deferred income tax assets related to promotion and advertising expenses and unrealised investment net losses recognized in the Reporting Period.

## **ADJUSTED NET LOSS**

The adjusted net loss for the year ended 31 December 2023 amounted to RMB282.9 million as compared with adjusted net loss of RMB731.9 million for the year ended 31 December 2022. Such decrease of loss was primarily attributable to (i) an increase in revenue due to the launch of Life Makeover (以閃亮之名) in regions including mainland China, Europe, the Americas and Southeast Asia during the Reporting Period; (ii) an increase in interest income arising from the balance of US\$ term deposits and bank balance; (iii) a decrease in net other loss due to less foreign exchange loss and losses on financial instruments at fair value through profit or loss; and (iv) cost control in research and development which resulted in reduction of related expenses.

The Company believes that adjusted net loss for the year ended 31 December 2023, as compared with loss for the year ended 31 December 2023 as reported under the IFRS, can provide additional information to investors and others in understanding and evaluating the Group's consolidated results of operations as well as facilitate year to year comparison. However, the use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the year ended 31 December 2023 and 2022 to the nearest measures prepared in accordance with IFRS.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>(RMB</b>	<b>(RMB</b>
	<b>million)</b>	<b>million)</b>
<b>Reconciliation of loss for the year to adjusted net loss for the year:</b>		
<b>Loss for the year</b>	<b>(315.6)</b>	(768.5)
Add back:		
Share-based compensation expenses	<u>32.7</u>	<u>36.6</u>
<b>Adjusted net loss for the year</b>	<b><u>(282.9)</u></b>	<b><u>(731.9)</u></b>

## **LIQUIDITY AND FINANCIAL RESOURCES**

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity financing. We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Group, and the net proceeds from the issuance of ordinary shares relating to the initial public offering, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present.

As at 31 December 2023, the Group has net current assets of RMB1,833.3 million and cash and cash equivalents, term deposits and restricted cash of RMB1,216.5 million, which were mainly denominated in RMB, US\$ and HK\$.

As at 31 December 2023, the Group's total equity attributable to owners of the Company amounted to RMB2,333.9 million, compared with RMB2,590.2 million as at 31 December 2022, representing a decrease of 9.9%. The decrease was mainly attributable to the operating loss for the year ended 31 December 2023.

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

	<b>For the year ended 31 December</b>		
	<b>2023</b>	2022	Change
	<b>(RMB million)</b>	(RMB million)	(%)
Net cash used in operating activities	<b>(79.5)</b>	(514.5)	(84.5%)
Net cash (used in)/generated from investing activities	<b>(589.1)</b>	85.7	(787.4%)
Net cash used in financing activities	<b>(19.2)</b>	(118.3)	(83.8%)
	<hr/>	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(687.8)</b>	(547.1)	25.7%
Cash and cash equivalents at the beginning of the year	<b>1,233.0</b>	1,672.3	(26.3%)
Exchange gains on cash and cash equivalents	<b>9.8</b>	107.8	(90.9%)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<b><u>555.0</u></b>	<u>1,233.0</u>	<u>(55.0%)</u>

### **Operating Activities**

For the year ended 31 December 2023, net cash used in operating activities was RMB79.5 million, compared with RMB514.5 million for the year ended 31 December 2022, representing a decrease of 84.5%. The decrease was mainly attributable to the increase in revenue, and the decrease in employee benefit expenses.

### **Investing Activities**

For the year ended 31 December 2023, net cash used in investing activities was RMB589.1 million, compared with RMB85.7 million generated from investing activities for the year ended 31 December 2022, mainly attributable to purchases of term deposits and wealth management products during the Reporting Period.

### **Financing Activities**

For the year ended 31 December 2023, net cash used in financing activities was RMB19.2 million, compared with RMB118.3 million for the year ended 31 December 2022, representing a decrease of 83.8%. The decrease was mainly attributable to the refund of stockbrokers for shares repurchase in the Reporting Period.

## **GEARING RATIO**

As at 31 December 2023, our gearing ratio, which is calculated as total liabilities divided by total assets, was 14.9%, as compared with 12.3% as at 31 December 2022.

## **CAPITAL EXPENDITURE**

Our capital expenditure comprised expenditures on purchases of intangible assets and purchases of property, plant and equipment. For the year ended 31 December 2023 and 2022, total capital expenditure amounted to RMB4.4 million and RMB40.6 million respectively, representing a decrease of 89.2%. The decrease was mainly attributable to the decrease in purchases of intangible assets.

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

As at 31 December 2023, there was no significant investment held by the Group or future plans for significant investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 31 December 2023.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

For the year ended 31 December 2023, there was no material acquisitions or disposals of subsidiaries, associates and joint ventures.

## **CHARGE ON ASSETS**

As at 31 December 2023, no property, plant and equipment was pledged.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, we did not have any unrecorded significant contingent liabilities against us.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, we employed 1,087 full-time staff in total, approximately 79.0% of whom are research and development personnel. Substantially all of our employees are based in China, primarily at our headquarters in Beijing, with the remainder in Chengdu, Changchun, Shanghai and Hainan. For the year ended 31 December 2023, cost of employees' remuneration and benefit was approximately RMB589.8 million as compared with RMB730.9 million for the year ended 31 December 2022.

We are committed to establishing a competitive and fair remuneration and benefits environment for our employees. To effectively motivate our business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparisons with our competitors. We conduct monthly performance evaluations to provide employee performance feedback, and report conduct quarterly selections to affirm and encourage outstanding employees. Remuneration for our employees typically consists of a base salary and performance-based and year-end bonuses. To incentivize our Directors, senior management and employees of the Group for their contribution to the Group, the Company adopted the Pre-IPO RSU Scheme on 1 April 2020 and the RSU Scheme on 22 December 2022, and adopted and amended the Share Option Scheme on 5 February 2021 and 22 December 2022, respectively.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

We provide regular and specialized training tailored to the needs of our employees in different departments. We regularly organize training sessions conducted by senior employees or external consultants, covering various aspects of our business operations, including overall management, legislations and statutory regulations, project execution and technical know-how. We constantly review the content of training and follow up with employees to evaluate the effect of such training. Through the training, we help our employees to stay up to date with both industry development, skills and technologies. We also organize workshops, from time to time, to discuss specific topics.

## **FOREIGN CURRENCY EXCHANGE RISKS**

For the year ended 31 December 2023, most of transactions of the Group and our cash and cash equivalents were denominated in RMB, US\$ and HK\$. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. For the year ended 31 December 2023, the Group has not incurred any significant foreign currency exchange losses in its operations. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

## **USE OF NET PROCEEDS FROM GLOBAL OFFERING**

On 15 July 2020, the Company successfully completed its initial public offering of 187,400,000 Shares at HK\$11.60 per Share, and its Shares were listed on the Main Board of the Stock Exchange. On 11 August 2020, the over-allotment option described in the Prospectus was fully exercised by the Sole Global Coordinator on behalf of the International Underwriters as defined in the Prospectus in respect of an aggregate of 28,110,000 offer shares (the “**Over-allotment Shares**”). The Over-allotment Shares have been allotted and issued by the Company at HK\$11.60 per Share. The net proceeds raised from the Global Offering (after taking account of the exercise of over-allotment option), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK\$2,358.5 million.

The table below sets forth the proposed and actual applications of the net proceeds from the Listing Date to 31 December 2023:

Use of net proceeds	Percentage	The amount		As at 31 December 2023		Expected timeline for utilizing the remaining net proceeds <sup>(1)</sup>
		Net proceeds from the Global Offering (HK\$ million)	utilized during the year ended 31 December 2023 (HK\$ million)	Utilized amount (HK\$ million)	Unutilized amount (HK\$ million)	
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	–	943.5	–	–
Expanding game publishing and operation business, particularly in markets outside mainland China	20%	471.7	–	471.7	–	–
Funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media, and telecom	20%	471.7	12.7	194.2	277.5	2024.01-2024.07
Expanding the IP reserve and enriching our content offerings	10%	235.8	18.5	214.3	21.5	2024.01-2024.07
Working capital and general corporate uses	10%	235.8	–	235.8	–	–
<b>Total</b>	<b>100%</b>	<b>2,358.5</b>	<b>31.2</b>	<b>2,059.5</b>	<b>299.0</b>	

*Note:*

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

Since the Listing Date and up to 31 December 2023, approximately HK\$2,059.5 million out of net proceeds from the Global Offering had been used.

As disclosed in the 2023 interim report of the Company, the expected timeline of utilizing the remaining net proceeds in respect of (i) funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media, and telecom; and (ii) expanding the IP reserve and enriching the Group's content offerings is July 2024 compared to July 2023 as disclosed in the 2022 annual report of the Company. The delay in the use of such net proceeds was mainly attributable to:

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

Apart from the above-mentioned adjustments, as at the date of this Results Announcement, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

To the extent that net proceeds are not immediately used for the intended use, the Company currently intends to place such proceeds in short-term interest bearing instruments, such as liquid fixed income securities, short-term bank deposits, short-term and low risk wealth management products or money market instruments with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

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

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Qing is currently the chairman and chief executive officer of the Company. In view of his substantial contribution to the Group since its establishment and his extensive experience in the game industry, the Board considers that vesting the roles of chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long term business strategies and does not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises two executive Directors (including Mr. Li Qing), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the year ended 31 December 2023.

## AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. As at the date of this Results Announcement, the Audit Committee consists of three members, namely Mr. Zhu Lin, Mr. Bai Kun and Mr. Ding Zhiping. Mr. Zhu Lin is the chairman of the Audit Committee. The Audit Committee together with the Auditor, has reviewed the consolidated financial information of the Group for the year ended 31 December 2023 and this Results Announcement. The Audit Committee has no disagreement with the accounting treatment in the financial statements and this Results Announcement, and discussed auditing, risk management, internal control and financial reporting matters.

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

During the year ended 31 December 2023, the Board considered the repurchases of Shares could enhance the net value of the Group and improve the return on equity and will benefit the Company and the Shareholders as a whole, thus the Company repurchased a total of 659,000 Shares on the Stock Exchange at a total consideration of HK\$3,744,880. All the repurchased Shares had been cancelled as at 31 December 2023.

Details of the aforementioned repurchases are set out as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total purchase price paid (HK\$)
March 2023	<u>659,000</u>	5.72	5.63	<u>3,744,880</u>
<b>Total</b>	<b><u>659,000</u></b>			<b><u>3,744,880</u></b>

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

## **FINAL DIVIDENDS**

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting to be held on Friday, 14 June 2024 (the “AGM”), the register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the AGM, all share certificates with completed transfer forms must be lodged with the Company’s Hong Kong share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 7 June 2024 for registration of share transfer.

## **AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT**

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2023 as set out in this Results Announcement have been agreed by the Company’s Auditor to the amounts set out in the Group’s audited consolidated financial statements for the year. The Company’s Auditor made no comments as to the reasonableness or appropriateness of those assumptions of the “Adjusted net loss” as presented in this Results Announcement. The work performed by the Company’s Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s Auditor on this Results Announcement.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE**

This Results Announcement is published on the websites of the Company ([www.zulong.com](http://www.zulong.com)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2023 will be sent to the Shareholders, if required, and published on the above websites in due course.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	3	<b>908,489</b>	584,121
Cost of revenue	5	<u>(258,082)</u>	<u>(160,501)</u>
<b>Gross profit</b>		<u><b>650,407</b></u>	<u>423,620</u>
Research and development expenses	5	<b>(582,208)</b>	(746,364)
Selling and marketing expenses	5	<b>(274,490)</b>	(280,578)
Administrative expenses	5	<b>(105,101)</b>	(108,200)
Net impairment losses on financial assets	5	<b>(15,273)</b>	(173)
Other income		<b>7,552</b>	3,916
Other losses, net	4	<u><b>(37,916)</b></u>	<u>(63,658)</u>
<b>Operating loss</b>		<u><b>(357,029)</b></u>	<u>(771,437)</u>
Finance income	6	<b>51,561</b>	23,524
Finance costs	6	<u><b>(4,271)</b></u>	<u>(6,438)</u>
Finance income, net	6	<b>47,290</b>	17,086
Share of results of investments accounted for using the equity method		<u><b>(18,105)</b></u>	<u>(13,437)</u>
<b>Loss before income tax</b>		<b>(327,844)</b>	(767,788)
Income tax credit/(expense)	7	<u><b>12,283</b></u>	<u>(759)</u>
<b>Loss for the year</b>		<u><b>(315,561)</b></u>	<u>(768,547)</u>
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(315,561)</b>	(768,547)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u><b>(315,561)</b></u>	<u>(768,547)</u>
<b>Loss per share attributable to owners of the Company for the year (in RMB/share)</b>			
– Basic	8	<b>(0.40)</b>	(0.98)
– Diluted		<u><b>(0.40)</b></u>	<u>(0.98)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 DECEMBER 2023*

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Loss for the year</b>	<u><b>(315,561)</b></u>	<u><b>(768,547)</b></u>
<b>Other comprehensive loss, net of tax:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u><b>7,301</b></u>	<u><b>39,745</b></u>
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	<u><b>22,554</b></u>	<u><b>168,619</b></u>
<b>Total comprehensive loss for the year</b>	<u><u><b>(285,706)</b></u></u>	<u><u><b>(560,183)</b></u></u>
<b>Attributable to:</b>		
– Owners of the Company	<u><b>(285,706)</b></u>	<u><b>(560,183)</b></u>
– Non-controlling interests	<u><b>–</b></u>	<u><b>–</b></u>
	<u><u><b>(285,706)</b></u></u>	<u><u><b>(560,183)</b></u></u>

**CONSOLIDATED BALANCE SHEET**  
*AS AT 31 DECEMBER 2023*

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>17,904</b>	29,308
Right-of-use assets		<b>42,703</b>	100,343
Intangible assets		<b>111,500</b>	128,317
Investments accounted for using the equity method		<b>60,982</b>	78,087
Prepayments, other receivables and other assets		<b>14,136</b>	15,769
Term deposits		<b>115,616</b>	–
Financial assets at fair value through profit or loss		<b>150,146</b>	288,834
Other financial assets at amortized cost		–	34,830
Deferred tax assets		<b>13,780</b>	1,953
		<hr/> <b>526,767</b>	<hr/> 677,441
<b>Current assets</b>			
Trade receivables	<i>10</i>	<b>110,081</b>	131,348
Prepayments, other receivables and other assets		<b>99,967</b>	90,155
Financial assets at fair value through profit or loss		<b>790,271</b>	440,661
Term deposits		<b>635,105</b>	354,846
Restricted cash		<b>26,399</b>	25,906
Cash and cash equivalents		<b>555,033</b>	1,232,999
		<hr/> <b>2,216,856</b>	<hr/> 2,275,915
<b>Total assets</b>		<hr/> <b>2,743,623</b>	<hr/> <b>2,953,356</b>

**CONSOLIDATED BALANCE SHEET**  
*AS AT 31 DECEMBER 2023 (CONTINUED)*

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>11</i>	55	55
Share premium	<i>11</i>	6,964,953	6,946,624
Other reserves		(1,631,263)	(1,672,199)
Accumulated losses		(2,999,812)	(2,684,251)
		<u>2,333,933</u>	<u>2,590,229</u>
<b>Non-controlling interests</b>		<u>—</u>	<u>—</u>
<b>Total equity</b>		<u><u>2,333,933</u></u>	<u><u>2,590,229</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		9,915	28,595
Lease liabilities		15,002	62,797
Deferred income tax liabilities		1,233	2,786
		<u>26,150</u>	<u>94,178</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	154,320	157,902
Contract liabilities		194,187	64,436
Current income tax liabilities		5,740	6,688
Lease liabilities		29,293	39,923
		<u>383,540</u>	<u>268,949</u>
<b>Total liabilities</b>		<u><u>409,690</u></u>	<u><u>363,127</u></u>
<b>Total equity and liabilities</b>		<u><u>2,743,623</u></u>	<u><u>2,953,356</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Net cash used in operating activities</b>		<u><b>(79,537)</b></u>	<u><b>(514,535)</b></u>
<b>Net cash (used in)/generated from investing activities</b>		<u><b>(589,097)</b></u>	<u><b>85,663</b></u>
<b>Net cash used in financing activities</b>		<u><b>(19,159)</b></u>	<u><b>(118,310)</b></u>
<b>Net decrease in cash and cash equivalents</b>		<u><b>(687,793)</b></u>	<u><b>(547,182)</b></u>
Cash and cash equivalents at the beginning of the year		<b>1,232,999</b>	1,672,338
Exchange gains on cash and cash equivalents		<u><b>9,827</b></u>	<u><b>107,843</b></u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u><b>555,033</b></u></u>	<u><u><b>1,232,999</b></u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) unless otherwise indicated. The consolidated financial statements for the year ended 31 December 2023 have been approved on 22 March 2024.

## 2 BASIS OF PREPARATION

### (a) Compliance with IFRS Accounting Standards

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

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

**(b) New and amended standards adopted by the Group**

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

<b>Standards and amendments</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Amendments to IAS 12 on International Tax Reform – Pillar Two Model Rules	1 January 2023

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

**(c) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

<b>Standards and amendments</b>	<b>Effective for annual periods beginning on or after</b>
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Amendments to IAS 1 on Non-current Liabilities with Covenants	1 January 2024
Amendment to IFRS 16 on Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 on Lack of Exchangeability	1 January 2025
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

**3 SEGMENT INFORMATION AND REVENUE**

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

As at 31 December 2023 and 2022, substantially all of the non-current assets of the Group are located in the PRC.

Revenue for the years ended 31 December 2023 and 2022 are as follows: the Group considered itself as an agent in arrangements of “development and licensing business”, and recorded revenue on a net basis; whereas, the Group considered itself as a principal in arrangements of “integrated game publishing and operation business”, and recorded revenue on a gross basis.

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Online game revenue		
– Development and licensing		
<i>Revenue share</i>	<b>146,470</b>	215,314
<i>Non-refundable fixed licensing fees</i>	<b>39,426</b>	23,139
– Integrated game publishing and operation	<b>709,300</b>	345,368
– Others	<b>13,293</b>	300
	<b>908,489</b>	584,121
Timing of revenue recognition		
– At a point in time	<b>173,520</b>	215,614
– Over time	<b>734,969</b>	368,507
	<b>908,489</b>	584,121

Revenues of approximately RMB185,706,000 and RMB238,022,000 for the years ended 31 December 2023 and 2022 respectively were derived from five largest single external customers.

During the years ended 31 December 2023, revenue of approximately RMB145,144,000 was derived from a single external customer accounted for more than 10% of total revenue (2022: RMB170,421,000).

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

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue segment by geography</b>		
Mainland China	<b>592,142</b>	179,352
Areas outside mainland China	<b>316,347</b>	404,769
	<b>908,489</b>	584,121

#### 4 OTHER LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Losses on financial assets at fair value through profit or loss	(30,049)	(27,223)
Foreign exchange losses, net	(6,088)	(16,332)
Losses on financial liabilities at fair value through profit or loss	–	(20,923)
Others	(1,779)	820
	<u>(37,916)</u>	<u>(63,658)</u>

#### 5 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	589,812	730,874
Promotion and advertising expenses	208,791	183,000
Commissions charged by distribution channels and payment channels	175,288	106,499
Outsourced technical services	74,729	113,703
Depreciation and amortization charges	58,843	64,480
Bandwidth and servers custody fee	23,537	16,241
Utilities and office expenses	22,885	26,711
Allowance for impairment on intangible assets ( <i>Note (a)</i> )	22,304	–
Net impairment losses on financial assets	15,273	173
Revenue share to the IP holders	15,221	19,925
Other professional consulting fees	7,737	8,322
Travelling expenses	4,852	5,013
VAT input transfer out and tax surcharges	5,854	8,366
Auditors' remuneration	3,800	3,823
– Audit services	3,800	3,800
– Non-audit services	–	23
Others	6,228	8,686
	<u>1,235,154</u>	<u>1,295,816</u>

*Note:*

- (a) As at 31 December 2023, certain online games' licenses were fully impaired due to the Group's strategic change of not further developing or launching these games, and the impairment losses of RMB22,304,000 (as at 31 December 2022: nil) were charged to the consolidated statement of profit or loss.

## 6 FINANCE INCOME, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
<b>Finance income</b>		
Interest income	<u>51,561</u>	<u>23,524</u>
<b>Finance costs</b>		
Interest expenses on lease liabilities	(3,394)	(5,832)
Interest expense on bank borrowings	(334)	–
Others	<u>(543)</u>	<u>(606)</u>
	<u>(4,271)</u>	<u>(6,438)</u>
<b>Finance income, net</b>	<u><u>47,290</u></u>	<u><u>17,086</u></u>

## 7 INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense of the Group for the years ended 31 December 2023 and 2022 is analyzed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax expense	1,097	1,296
Deferred income tax	<u>(13,380)</u>	<u>(537)</u>
	<u><u>(12,283)</u></u>	<u><u>759</u></u>

### (a) Cayman Islands and BVI Income Tax

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

### (b) Hong Kong Income Tax

The entity incorporated in Hong Kong is subject to Hong Kong profit tax at rate of 16.5% on the assessable profits for the years ended 31 December 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

### (c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the years ended 31 December 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

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

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

Beijing Fantasy Mermaid Technology Limited (“**Beijing Fantasy Mermaid**”) qualified as a HNTE for a three-year period since 2019 and renewed its qualification in December 2022 for another three-year period. Beijing Fantasy Mermaid is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from December 2022 to December 2025.

Chengdu Fantasy Mermaid Technology Limited, Beihai Loong Venture Capital Co., Ltd. and Beihai Longhao Venture Capital Co., Ltd. met the requirements of the revised catalogue of industries whose development are to be encouraged in the country’s western regions. They are entitled to a preferential income tax rate of 15% on their assessable profits.

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2023 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

## 8 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the Group’s loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company (RMB’000)	(315,561)	(768,547)
Weighted average number of ordinary shares in issue (in thousands)	785,142	789,656
Less: weighted average number of treasury shares (in thousands)	–	(2,703)
Weighted average number of issued ordinary shares for calculating basic loss per share (in thousands)	785,142	786,953
Basic loss per share (in RMB/share)	(0.40)	(0.98)

**(b) Diluted**

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

For the years ended 31 December 2023 and 2022, the Company has two categories of dilutive potential ordinary shares: the restricted share units (“RSUs”) and the Share Options as described in Note 12.

For the purpose of calculating diluted loss per share for the years ended 31 December 2023 and 2022, RSUs and Share Options are assumed to have been converted into ordinary shares with no corresponding change in net loss attributable to ordinary shareholders. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the year ended 31 December 2023 and 2022.

**9 DIVIDENDS**

No dividend has been declared or paid by the Company for the years ended 31 December 2023 and 2022.

**10 TRADE RECEIVABLES**

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables	<b>121,971</b>	133,858
Less: allowance for impairment of trade receivables	<b>(11,890)</b>	(2,510)
	<hr/>	<hr/>
Trade receivables – net	<b>110,081</b>	131,348
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Related parties	<b>42,654</b>	63,193
Third parties	<b>79,317</b>	70,665
	<hr/>	<hr/>
	<b>121,971</b>	133,858
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	62,419	61,366
US\$	54,279	65,926
HK\$	5,173	6,112
Others	100	454
	<u>121,971</u>	<u>133,858</u>

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	84,254	76,670
3 to 6 months	11,755	33,706
6 months to 1 year	24,851	21,158
Over 1 year	1,111	2,324
	<u>121,971</u>	<u>133,858</u>

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year	(2,510)	(2,337)
Provision for impairment	(9,421)	(217)
Reversal of impairment	41	44
	<u>(11,890)</u>	<u>(2,510)</u>

The creation and release of provision for impaired receivables have been included in "Net impairment losses on financial assets" in the consolidated statement of profit or loss.

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

## 11 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US\$
<b>Authorized</b>		
At 1 January and 31 December 2023	<u>5,000,000,000</u>	<u>50,000</u>
<b>Authorized</b>		
At 1 January and 31 December 2022	<u>5,000,000,000</u>	<u>50,000</u>

	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent Nominal value of ordinary shares RMB'000	Share premium RMB'000
<b>Issued</b>				
At 1 January 2023	788,368,470	8	55	6,946,624
Vesting of RSUs ( <i>Note (a)</i> )	4,674,342	–	–	36,854
Cancellation of treasury shares	<u>(6,391,000)</u>	<u>–</u>	<u>–</u>	<u>(18,525)</u>
<b>At 31 December 2023</b>	<u>786,651,812</u>	<u>8</u>	<u>55</u>	<u>6,964,953</u>
<b>Issued</b>				
At 1 January 2022	791,491,279	8	55	6,951,009
Vesting of RSUs ( <i>Note (a)</i> )	4,918,561	–	–	40,764
Cancellation of treasury shares	<u>(8,041,370)</u>	<u>–</u>	<u>–</u>	<u>(45,149)</u>
<b>At 31 December 2022</b>	<u>788,368,470</u>	<u>8</u>	<u>55</u>	<u>6,946,624</u>

*Note:*

- (a) During the year ended 31 December 2023, 4,674,342 ordinary shares of the Company were transferred to the share awardees upon vesting of the awarded shares under the scheme which is disclosed in Note 12(b) (during the year ended 31 December 2022: 4,918,561).

## 12 SHARE-BASED PAYMENTS

### (a) Share Option Scheme

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

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

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

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

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

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

	<b>Number of share options</b>
<b>Outstanding as at 1 January 2023</b>	<b>3,079,845</b>
Vested	(1,434,925)
Forfeited	<u>(326,757)</u>
<b>Outstanding as at 31 December 2023</b>	<b><u>1,318,163</u></b>
	Number of share options
<b>Outstanding as at 1 January 2022</b>	6,776,377
Vested	(2,513,714)
Forfeited	<u>(1,182,818)</u>
<b>Outstanding as at 31 December 2022</b>	<b><u>3,079,845</u></b>

No share option was expired or exercised during the year ended 31 December 2023 and the remaining contractual life of the share options was 8 years as at 31 December 2023.

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

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

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

	Grant date As at 14 April 2021	Modification date As at 7 January 2022	
		Before modification	After modification
Risk-free interest rate	1.30%	1.74%	1.81%
Volatility	56.00%	55.73%	55.54%
Dividend yield	0.52%	0.85%	0.85%
Fair value per share option (HK\$)	6.02	2.22	3.38

**(b) Restricted Share Unit Scheme**

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

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

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

On 22 December 2022, the new RSU scheme of the Company was approved and adopted by the shareholders (“**RSU Scheme**”).

On 6 April 2023 and 29 August 2023, the Company granted RSUs representing an aggregate of 9,295,000 underlying shares to certain eligible employees pursuant to the RSU Scheme. Subject to grantees’ employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first day after 12, 24 and 36 months from a certain date.

Movements in the number of underlying shares represented by RSUs under the Pre-IPO RSU Scheme and the RSU Scheme for the years ended 31 December 2023 and 2022 are as follows:

	<b>Number of underlying shares represented by RSUs</b>	<b>Weighted average fair value per RSU (HK\$)</b>
<b>Outstanding as at 1 January 2023</b>	<b>5,888,780</b>	<b>8.696</b>
Granted	9,295,000	5.420
Vested	(4,674,342)	8.741
Forfeited	<u>(806,958)</u>	7.435
<b>Outstanding as at 31 December 2023</b>	<b><u>9,702,480</u></b>	<b>5.640</b>
<b>Outstanding as at 1 January 2022</b>	10,276,445	9.282
Granted	1,607,000	7.394
Vested	(4,918,561)	9.200
Forfeited	<u>(1,076,104)</u>	10.046
<b>Outstanding as at 31 December 2022</b>	<b><u>5,888,780</u></b>	<b>8.696</b>

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

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

The fair value of the RSUs granted on 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022, 30 August 2022, 6 April 2023 and 29 August 2023 were determined using the market method with reference to the grant date closing share price of the Company.

**(c) Expenses arising from share-based payment transactions**

For the years ended 31 December 2023 and 2022, share-based compensation expenses arising from the share-based awards granted by the Company have been charged to the consolidated statement of profit or loss as follows:

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of revenue	700	556
Administrative expenses	5,956	7,245
Selling and marketing expenses	2,471	2,322
Research and development expenses	<u>23,597</u>	<u>26,519</u>
	<b><u>32,724</u></b>	<b><u>36,642</u></b>

### 13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	67,186	66,874
Payroll liabilities	60,844	67,195
Tax payables	15,564	14,361
Asset procurement	2,841	731
Others	7,885	8,741
	<u>154,320</u>	<u>157,902</u>

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	9,728	8,634
Third parties	57,458	58,240
	<u>67,186</u>	<u>66,874</u>

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 6 months	48,595	55,251
6 months to 1 year	14,383	9,275
Over 1 year	4,208	2,348
	<u>67,186</u>	<u>66,874</u>

### 14 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Group after 31 December 2023.

## DEFINITIONS

In this Results Announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China
“Company” or “Archosaur Games”	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 9990)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Global Offering”	the initial public offering of the Shares for subscription by the public and the institutional, professional, corporate and other investors
“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	IFRS Accounting Standards

“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 15 July 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“MMORPG”	massively multiplayer online role-playing game, a genre of games that combine role-playing games and massively multiplayer online games in which a large number of players interact with one another within a virtual world
“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules
“Pre-IPO RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Board on 1 April 2020
“Prospectus”	the prospectus of the Company dated 30 June 2020
“Reporting Period”	the year ended 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Shareholders on 22 December 2022, in its present form or as may be amended from time to time
“Share Option Scheme”	the share option scheme in its present form or as may be amended from time to time which was adopted and amended by the Company on 5 February 2021 and 22 December 2022, respectively
“Share(s)”	ordinary share(s) of US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SLG”	simulation games, a genre of games that attempt to emulate various activities from real life in the game format

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	for the purpose of this Results Announcement, has the meaning ascribed to it in section 15 of the Companies ordinance (Chapter 622 of the Laws of Hong Kong) and includes companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements
“Tencent”	Tencent Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be and holds 17.23% of our Shares as at 31 December 2023
“Unreal Engine 4” and “Unreal Engine 5”	game engines developed by Epic Games
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Beijing, China, 22 March 2024

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