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## **CHANGYOU ALLIANCE GROUP LIMITED**

**暢由聯盟集團有限公司**

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

**(Stock Code: 1039)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **HIGHLIGHTS**

- Revenue of the Group decreased to approximately RMB114.2 million for the year ended 31 December 2021 (2020: approximately RMB268.8 million), representing a decrease of approximately 57.5% as compared to 2020
- Gross profit of the Company increased to approximately RMB12.7 million for the year ended 31 December 2021 from approximately RMB1.0 million for the year ended 31 December 2020, representing an increase of approximately RMB11.7 million during the period
- The gross merchandise volume from the Group's Digital Point Business decreased to approximately RMB157.3 million for the year ended 31 December 2021 (2020: approximately RMB440.1 million)
- Net loss attributable to equity shareholders of the Company amounted to approximately RMB49.5 million for the year ended 31 December 2021 (2020: approximately RMB1.7 million)
- Basic and diluted loss per share for the year ended 31 December 2021 amounted to RMB2.73 cents (2020: approximately RMB0.09 cents)
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Changyou Alliance Group Limited (the “**Company**”) presents herewith the annual audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***for the year ended 31 December 2021**(Expressed in Renminbi (“RMB”))*

	<i>Note</i>	<b>2021</b> <b>RMB’000</b>	2020 RMB’000
<b>Revenue</b>	4	<b>114,211</b>	268,841
Cost of sales		<u>(101,538)</u>	<u>(267,796)</u>
<b>Gross profit</b>		<b>12,673</b>	1,045
Other income	5	<b>565</b>	669
Selling and distribution expenses		<b>(24,220)</b>	(25,270)
Administrative expenses		<b>(51,939)</b>	(45,005)
Research and development costs		<b>(38,978)</b>	(36,188)
Impairment (loss)/gain on trade and other receivables		<b>(909)</b>	29,673
Impairment loss on right-of-use assets		<b>(888)</b>	–
<b>Loss from operations</b>		<b>(103,696)</b>	(75,076)
Finance costs	6(a)	<b>(20,429)</b>	(6,444)
Loss arising from changes in fair value on held-for-trading investments		<u>(738)</u>	<u>(674)</u>
<b>Loss before taxation</b>	6	<b>(124,863)</b>	(82,194)
Income tax	7	<u>–</u>	<u>–</u>
<b>Loss for the year</b>		<b><u>(124,863)</u></b>	<b><u>(82,194)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(49,467)</b>	(1,652)
Non-controlling interests		<u>(75,396)</u>	<u>(80,542)</u>
<b>Loss for the year</b>		<b><u>(124,863)</u></b>	<b><u>(82,194)</u></b>
<b>Loss per share</b>			
Basic and diluted (RMB cent)	8	<b><u>(2.73)</u></b>	<b><u>(0.09)</u></b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

(Expressed in RMB)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Loss for the year</b>	<b>(124,863)</b>	<b>(82,194)</b>
<b>Other comprehensive income for the year (after tax):</b>		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements denominated in foreign currencies into the Group's presentation currency	<u>(982)</u>	<u>(3,919)</u>
<b>Total comprehensive income for the year</b>	<b><u>(125,845)</u></b>	<b><u>(86,113)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(50,449)</b>	<b>(5,571)</b>
Non-controlling interests	<u>(75,396)</u>	<u>(80,542)</u>
<b>Total comprehensive income for the year</b>	<b><u>(125,845)</u></b>	<b><u>(86,113)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in RMB)

	<i>Note</i>	At 31 December 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
<b>Non-current assets</b>			
Property and equipment		4,889	12,388
Intangible assets		–	–
Goodwill		–	–
		<u>4,889</u>	<u>12,388</u>
<b>Current assets</b>			
Held-for-trading investments		910	1,685
Inventories		633	1,408
Trade and other receivables	9	134,154	122,185
Cash and cash equivalents		50,426	152,273
		<u>186,123</u>	<u>277,551</u>
<b>Current liabilities</b>			
Trade and other payables	10	137,308	133,685
Lease liabilities	12	2,792	7,461
		<u>140,100</u>	<u>141,146</u>
<b>Net current assets</b>		<u>46,023</u>	<u>136,405</u>
<b>Total assets less current liabilities</b>		<u>50,912</u>	<u>148,793</u>
<b>Non-current liabilities</b>			
Convertible bonds	11	63,284	50,489
Lease liabilities	12	788	2,377
Loans from an equity shareholder of the Company	13	49,056	33,666
		<u>113,128</u>	<u>86,532</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(62,216)</u>	<u>62,261</u>

		At 31 December 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
<b>CAPITAL AND RESERVES</b>	<i>17</i>		
Share capital		117,812	117,812
Reserves		<u>193,310</u>	<u>243,263</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>311,122</b>	361,075
<b>Non-controlling interests</b>		<u>(373,338)</u>	<u>(298,814)</u>
<b>(TOTAL EQUITY-DEFICIT)/TOTAL EQUITY</b>		<b><u>(62,216)</u></b>	<b><u>62,261</u></b>

## NOTES

*(Expressed in RMB unless otherwise indicated)*

### 1 STATEMENT OF COMPLIANCE

The annual results set out in this announcement are extracted from the Group's financial statements for the year ended 31 December 2021.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### 2 BASIS OF PREPARATION

The consolidated financial statements of the Company for the year ended 31 December 2021 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for held-for-trading investments and derivative financial instruments which are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For the year ended 31 December 2021, the Group had net loss of RMB124,863,000 and net cash used in operating activities of RMB103,394,000, and had net liabilities of RMB62,216,000 as at 31 December 2021. The Group will be unable to meet its liabilities in full when they fall due unless it is able to generate sufficient cash flows from future operations and/or other sources, since as at 31 December 2021, the Group only had cash and cash equivalents of RMB50,426,000. These events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In this regard, the directors of the Company have identified various initiatives to address the Group's liquidity needs, which include the following:

- The Group continues to streamline its operations by deployment of the necessary resources to profitable business lines, including continuance in reduction of current workforce or increase in workforce only if profitable business opportunities arise;
- As described in Note 19, the Group entered into an agreement with an investor in July 2020, and the both parties shall use all reasonable efforts within their respective capacity to fulfill the conditions precedent set out in the agreement on or before 30 June 2022 or such later date as may be agreed between the both parties in writing and proceed to completion of the transaction. Up to the date of issue of these financial statements, this capital injection is still under negotiation and has not yet been completed; and/or
- The Group commences discussion with its immediate and ultimate holding company, Century Investment (Holding) Limited ("Century Investment"), to provide the necessary financial support when requires, including but not limited to:
  - (i) provision of the drawdown of the Group's unused loan facilities with Century Investment of HK\$51,000,000 (equivalent to approximately RMB41,698,000) (see Note 13); and/or
  - (ii) extension of the repayment dates of the convertible bonds issued to and loans already drawn down from Century Investment (see Notes 11 and 13).

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Other than amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4 REVENUE

The principal activities of the Group are the development and operation of an electronic trading platform to promote and facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions and other trading business. The directors of the Company consider the above is the only business of the Group, and accordingly, no segment information is presented.

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers is analysed as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15 disaggregated by major products or service lines and by timing of revenue recognition</b>		
Revenue from facilitation of digital point business through operation of an electronic platform and other trading business:		
– Point in time	<b>111,391</b>	268,696
– Over time	<b>2,820</b>	145
	<b>114,211</b>	268,841

The Group's customer base is diversified. There was no customer with whom transactions exceeded 10% of the Group's revenue for the year ended 31 December 2021 (2020: no customer with whom transactions exceeded 10%).

**(b) Geographic information**

All of the Group's revenue for the years ended 31 December 2021 and 2020 were generated from sales and services to customers in the People's Republic of China (the "PRC"). All of the non-current assets of the Group are either physically located or allocated to operations in the PRC.

**5 OTHER INCOME**

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income	56	93
Government grants	–	336
Net loss on disposal of property and equipment	(93)	(108)
Others	<u>602</u>	<u>348</u>
	<u><b>565</b></u>	<u>669</u>

**6 LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging/(crediting):

**(a) Finance costs**

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on lease liabilities	576	1,305
Finance charges on convertible bonds ( <i>Note 11</i> )	18,113	5,861
Interest expenses on loans from an equity shareholder of the Company	<u>2,947</u>	<u>668</u>
	<b>21,636</b>	7,834
Net foreign exchange gain	(1,207)	(1,076)
Gain on redemptions, extinguishment and recognition of convertible bonds ( <i>Note 11</i> )	<u>–</u>	<u>(314)</u>
	<u><b>20,429</b></u>	<u>6,444</u>

No borrowing costs have been capitalised for the year ended 31 December 2021 (2020: RMBNil).

(b) Staff costs:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	66,667	77,881
Termination benefits ( <i>Note (i)</i> )	7,960	1,122
Contributions to defined contribution retirement plans ( <i>Note (ii)</i> )	6,352	829
	<u>80,979</u>	<u>79,832</u>

*Notes:*

- (i) In a view to further streamline the Group's business operations, the Group paid certain termination benefits to reduce its workforce in 2021 and 2020.
- (ii) The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 16% (2020: 16%) of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HK\$") 30,000. Contributions to the MPF Scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation expenses		
– owned property and equipment	1,479	3,780
– right-of-use assets	7,779	7,783
	<u>9,258</u>	11,563
Impairment loss on non-financial assets		
– right-of-use assets	888	–
Operating lease charges relating to short-term leases and leases of low-value assets	2,507	2,405
Auditor's remuneration-audit services	2,350	2,300
Cost of inventories	101,538	267,796

## 7 INCOME TAX

### (a) Income tax in the consolidated statement of profit or loss represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current and deferred taxation	<u>—</u>	<u>—</u>

### (b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before taxation	<u>(124,863)</u>	<u>(82,194)</u>
Expected tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned ( <i>Notes (i), (ii) and (iii)</i> )	(25,645)	(20,813)
Tax effect of non-deductible expenses	5,963	2,478
Tax effect of unused tax losses and deductible temporary differences not recognised	<u>19,682</u>	<u>18,335</u>
Income tax	<u>—</u>	<u>—</u>

#### Notes:

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2021 (2020: 16.5%). No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2021 (2020: RMBNil).
- (ii) The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2021 (2020: 25%).

## 8 LOSS PER SHARE

### (a) Basic loss per share

The basic loss per share for the year ended 31 December 2021 is calculated based on the loss attributable to the equity shareholders of the Company of RMB49,467,000 (2020: RMB1,652,000) and the weighted average of 1,810,953,000 ordinary shares (2020: 1,810,953,000 ordinary shares) in issue during the year.

(b) **Diluted loss per share**

The Group's convertible bonds, share options granted and warrants issued could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they were antidilutive for the years ended 31 December 2021 and 2020.

**9 TRADE AND OTHER RECEIVABLES**

	<b>At 31 December 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade receivables	<b>19,795</b>	9,121
Less: loss allowance	<b>(1,642)</b>	(1,403)
	<b>18,153</b>	7,718
Other receivables:		
– Loans to third parties	<b>25,878</b>	26,537
– Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder ( <i>Note (i)</i> )	<b>100,000</b>	100,000
– Others	<b>8,818</b>	8,209
	<b>134,696</b>	134,746
Less: loss allowance	<b>(30,640)</b>	(31,664)
	<b>104,056</b>	103,082
Financial assets measured at amortised cost	<b>122,209</b>	110,800
Prepayments and deposits	<b>11,945</b>	11,385
	<b>134,154</b>	122,185

All of the trade and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.

*Note:*

- (i) In 2019, Pointsea Company Limited (“PCL”) issued 28,036,564 new shares to one investor. Proceeds of RMB100,000,000 from the investor has not yet been received while the investor granted an advance of RMB100,000,000 to a wholly owned subsidiary of PCL (see Note 10) which is non-interest bearing and will mature upon receipt of the proceeds for shares issued to the investor by PCL.

## Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance), included in trade and other receivables, based on the invoice date, is as follows:

	<b>At 31 December 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within 3 months	15,307	7,625
Over 3 months but within 6 months	2,462	37
Over 6 months	384	56
	<u>18,153</u>	<u>7,718</u>

## 10 TRADE AND OTHER PAYABLES

	<b>At 31 December 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade payables	18,255	10,285
Payables for staff related costs	3,812	8,331
Payables for miscellaneous taxes	164	609
Payables for selling expenses incurred for digital point business	66	72
Advance from a non-controlling equity shareholder of a subsidiary (Note 9(i))	100,000	100,000
Interest payable to an equity shareholder of the Company	1,823	668
Others	7,002	8,824
	<u>112,867</u>	<u>118,504</u>
Financial liabilities measured at amortised cost	131,122	128,789
Deposits received from business partners in connection with the digital point business	1,494	1,904
Receipts-in-advance received from customers	2,216	812
Deferred income	2,476	2,180
	<u>137,308</u>	<u>133,685</u>

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables included in trade and other payables, based on the invoice date, is as follows:

	<b>At 31 December 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within 3 months	16,893	9,558
3 to 6 months	563	124
Over 6 months	799	603
	<u>18,255</u>	<u>10,285</u>

## 11 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

	<b>Liability components RMB'000</b>	<b>Derivative components RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2020	27,127	13	27,140
Redemption of convertible bonds	(28,570)	(13)	(28,583)
Convertible bonds issued	48,665	–	48,665
Accrued finance charges for the year (Note 6(a))	5,861	–	5,861
Interest paid	(1,541)	–	(1,541)
Exchange adjustments	(1,053)	–	(1,053)
At 31 December 2020 and 1 January 2021	50,489	–	50,489
Accrued finance charges for the year (Note 6(a))	18,113	–	18,113
Interest paid	(3,674)	–	(3,674)
Exchange adjustments	(1,644)	–	(1,644)
At 31 December 2021	<u>63,284</u>	<u>–</u>	<u>63,284</u>
	<b>At 31 December 2021 RMB'000</b>		At 31 December 2020 RMB'000
Represented by:			
– non-current liabilities	<u>63,284</u>		<u>50,489</u>

In June 2020, the Company redeemed the remaining principal amount of USD4,000,000 (equivalent to approximately RMB28,269,000) of the convertible bonds issued in prior years in cash. The difference between the redemption value and the carrying amount of these convertible bonds amounted to a gain of RMB314,000 had been recognised in profit or loss for the year ended 31 December 2020. In July 2020, 154,691,176 ordinary shares of the Company owned by Century Investment (Holding) Limited (“Century Investment”) which were pledged for the above convertible bonds had been released.

In October 2020, the Company issued convertible bonds with face value of HK\$126,000,000 (equivalent to approximately RMB108,945,000) (“CB1”) to Century Investment. CB1 bear interest at 3.5% per annum and will mature on 19 October 2023. The Company has the right to redeem all or part of CB1 (i.e. the call option) at any time before the maturity date. As the call option is closely related to the host contract, the call option is not accounted for as a separate derivative financial instrument. Upon issuance of CB1, Century Investment can convert CB1 into the Company’s ordinary shares at HK\$0.42 per share (i.e. the conversion option) at any time, in whole or in part, before 14 October 2023. The conversion option amounted to RMB59,212,000 was regarded as an equity component of CB1 and credited to the Company’s capital reserve account.

## 12 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	<b>2021</b> <b>RMB’000</b>	2020 <b>RMB’000</b>
Within 1 year	2,792	7,461
After 1 year but within 2 years	788	2,095
After 2 years but within 5 years	–	282
	<u>788</u>	<u>2,377</u>
	<u><b>3,580</b></u>	<u><b>9,838</b></u>

## 13 LOANS FROM AN EQUITY SHAREHOLDER OF THE COMPANY

In 2020, PCL, a subsidiary of the Company, and Century Investment entered into loan facility agreements (“**Facility Agreements**”), pursuant to which Century Investment granted loan facilities of HK\$111,000,000 to PCL. The loan facilities will expire after 3 years or such later date as may be agreed between PCL and Century Investment in writing, representing the date upon which the Company is to repay all loans drawn under the Facility Agreements in full. The Facility Agreements are unsecured with an interest rate of 6.5% per annum applicable to all loans drawn under the Facility Agreements. At 31 December 2021, the outstanding principal of loans drawn under the Facility Agreements is HK\$60,000,000 (equivalent to approximately RMB49,056,000) (2020: HK\$40,000,000 (equivalent to approximately RMB33,666,000)).

In December 2021, PCL entered into an interest waiver agreement with Century Investment, pursuant to which Century Investment waived an interest receivable from PCL of HK\$1,304,000 (equivalent to approximately RMB1,077,000) for the year ended 31 December 2021. Century Investment is an equity shareholder of the Company, and accordingly, the above waiver of interest expenses by Century Investment was regarded as contributions from equity shareholders and RMB1,077,000 was recognised in equity.

## 14 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 28 June 2010 whereby the directors of the Company are authorised, at their discretion, to invite any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the directors of the Company, will contribute or have contributed to the Group, to take up share options at HK\$1 to subscribe for ordinary shares in the Company.

(a) **The terms and conditions of unexpired share options granted are as follow:**

	<b>Number of instruments</b>	<b>Vesting condition</b>	<b>Contractual life of share options</b>
Share options granted to a director			
– On 7 August 2018	<u>72,000,000</u>	No vesting condition	4.74 years

(b) **The number and weighted average exercise price of share options are as follows:**

	<b>2021</b>		<b>2020</b>	
	<b>Weighted average exercise price HK\$</b>	<b>Number of share options</b>	<b>Weighted average exercise price HK\$</b>	<b>Number of share options</b>
Outstanding at the beginning and the end of the year	1.21	<u>72,000,000</u>	1.21	<u>72,000,000</u>
Exercisable at the end of the year	1.21	<u>72,000,000</u>	1.21	<u>72,000,000</u>

The share options outstanding at 31 December 2021 had an exercise price of HK\$1.21 (2020: HK\$1.21) and remaining contractual life of 1.3 years (2020: 2.3 years).

## 15 DEFERRED TAX ASSETS AND LIABILITIES

### Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of unused tax losses and temporary differences of RMB621,421,000 at 31 December 2021 (2020: RMB550,436,000), as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax losses at 31 December 2021 will expire on or before 31 December 2026.

## 16 DIVIDENDS

### (i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMBNil).

### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: RMBNil).

## 17 SHARE CAPITAL

### (i) Issued share capital

	2021		2020	
	No. of shares '000	USD'000	No. of shares '000	USD'000
<b>Authorised:</b>				
Ordinary shares of USD0.01 each	<u>5,000,000</u>	<u>50,000</u>	<u>5,000,000</u>	<u>50,000</u>
	2021		2020	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
<b>Ordinary shares of USD0.01 each, issued and fully paid:</b>				
At 1 January and 31 December	<u>1,810,953</u>	<u>117,812</u>	<u>1,810,953</u>	<u>117,812</u>

### (ii) Warrants

In September 2018, the Company issued 298,000,000 unlisted warrants (the "Warrants") at a price of HK\$0.01 per warrant to Century Investment. Each warrant entitles the holder to acquire one ordinary share in the Company at an exercise price of HK\$1.38 per share from a period commencing on the date that is six months after the issue date and ending on the fifth anniversary date of the issue date.

During the year ended 31 December 2021, no warrant was exercised (2020: Nil).

## **18 DISPOSAL OF A SUBSIDIARY UNDER COMMON CONTROL**

Pursuant to the equity transfer agreement entered into between the Company and Century Investment, the Company disposed of its 100% equity interests in Century Blockchain Limited (“CBL”) to Century Investment in October 2021 for a cash consideration of USD1. The carrying value of the net liabilities of CBL disposed of amounted to RMB291,000. The above disposal was accounted for as a transaction under common control, and accordingly, the resulting surplus of RMB291,000, represented by the consideration received over the carrying value of the net liabilities disposed of, was accounted for in equity as a contribution from equity shareholders.

## **19 CAPITAL INJECTIONS FROM A THIRD PARTY INTO A NON-WHOLLY OWNED SUBSIDIARY OF THE GROUP**

In July 2020, the Group, via PCL, entered into an agreement with an independent third party, pursuant to which PCL will issue not less than 61,078,767 new ordinary shares but not more than 73,287,671 new ordinary shares at a total subscription consideration of not less than USD35,670,000 but not more than USD42,800,000 to this third party. Up to the date of issue of these financial statements, the capital injection mentioned above is still under negotiation and has yet to be completed.

## **20 IMPACTS OF COVID-19 PANDEMIC**

The Covid-19 pandemic since early 2020 continues to bring uncertainties to the Group’s operating environment and may impacted the Group’s operations and financial position.

Despite of the easing of the Covid-19 pandemic in Mainland China, the Group continues to closely monitor the possible impact from the Covid-19 pandemic has on the Group’s business and keep contingency measures in place and under review in the case where the Covid-19 pandemic rebounds. These contingency measures included but not limited to reassessing changes (if any) to the customers’ preferences on the types of goods or services and to align the Group’s procurement strategies (where necessary) to meet the customers’ needs, reassessing the adequacy and sustainability of the existing suppliers, expanding the Group’s supplier base in a view to procure suitable goods and services to meet customers’ preferences on a timely basis, and improving the Group’s cash management by expediting debtor settlements and negotiating with suppliers on payment extensions.

The exact timing of the cessation of the Covid-19 pandemic is still uncertain. Nonetheless, the directors of the Company is optimistic that the Covid-19 pandemic will eventually be under full control.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group has capitalised on its years of experience in the e-commerce business, which has enabled the Group to grasp market opportunities and enter the digital points business segment and industry. In the second half of 2017, the Group formed the Changyou digital point business ecosystem alliance (the “**Changyou Alliance**”) with CCB International (Holdings) Limited (“**CCB International**”), China UnionPay Merchant Services Company Limited (“**UnionPay Merchant**”), Bank of China Group Investment Limited (“**Bank of China**”), China Mobile (Hong Kong) Group Limited (“**China Mobile**”) and China Eastern Airlines Corporation Limited (“**China Eastern Airlines**”).

The Group’s electronic platform, “Changyou” (the “**Changyou Platform**”) aims to integrate the digital membership points, resources and strategic advantages of the business partners in the Changyou Alliance. The Group strives to develop the Changyou Platform as an integrative and secured platform, so as to preserve and maximise the value of digital points as virtual assets for the users. With the development of blockchain technology, digital assets as a secured asset have received increasing recognition from the industry. By leveraging advanced technologies such as blockchain and big data analysis, the Changyou Alliance aims to develop a global financial platform built on blockchain for the issuance, circulation, storage payment and settlement of the tokens.

Since its launch, the Changyou Platform has undergone rapid development, with an increasing number of users, more diversified products and services, as well as optimised business models and consumption scenarios. In 2021, the Group undertook to refine its business model with an aim to improve its gross profit. As such, although the total revenue from the business operations of Changyou Alliance and the Changyou Platform (collectively, the “**Digital Point Business**”) decreased to approximately RMB114.2 million for the year ended 31 December 2021 (2020: approximately RMB268.8 million), representing a decrease of approximately RMB154.6 million or approximately 57.5% as compared to 2020, the gross profit from the business operations of the Changyou Alliance and the Changyou Platform increased to approximately RMB12.7 million for the year ended 31 December 2021 (2020: approximately RMB1.0 million), representing an increase of approximately RMB11.7 million or approximately 11.1 times as compared to 2020.

The gross merchandise volume of the Digital Point Business amounted to approximately RMB157.3 million for the year ended 31 December 2021 (2020: approximately RMB440.1 million), representing a decrease of approximately RMB282.8 million (approximately 64.3%) over the same period of last year. The Group is currently negotiating with a number of potential business partners so as to enhance the Changyou Platform and expand the scope of its Digital Point Business into other sectors.

## BUSINESS SEGMENTS

### Financial cooperation business

Driven by advanced technologies such as big data, blockchain, cloud computing and artificial intelligence, the financial industry has gradually entered the stage of industry transformation from the rapid development, fintech has become the norm. Meanwhile, benefited from the enhancing digitalisation of financial institutions, digital financial products and tools will obtain enormous development opportunities. In order to create a commercial financial platform, Changyou continues to strengthen its efforts in issuance, exchange and settlement of digital points. Users can monetise Changyou digital points via Changyou Pay (暢由付) on the Changyou platform. Meanwhile, leveraging on Changyou's standardised, low-cost and efficient Changyou point services for small and medium-sized enterprises and top key account (“KA”) merchants with digital points, and provides marketing solutions and technical support.

The Group offers points consumption services and points cashier output services to the Changyou Alliance and other alliances utilising the Digital Points Business. In 2021, the Changyou Platform leveraged the marketing and operational advantages with its shareholders and KA channels, and provided China UnionPay with the operational and promotional services to promote and market its mobile app “雲閃付”, the services penetrate into the app of Changyou's shareholders and KA channel and the APPs of their respective provincial companies and other platforms that can bring traffic. Based on the cross-marketing model, in order to improve the loyalty and enhance the activeness of the users, the users will be granted benefits as a gift. At the same time, the Group actively developed a SaaS platform based on points issuance and cross-sales with UnionPay, the SaaS targets to deliver marketing, solutions and system support for small and medium-sized merchants and KA merchants. The Group also actively extended the breadth of points sources by connecting the loyalty program of various enterprises. Under the rich ecology, the Changyou Platform also introduced price immediate reduction and red pockets digital point as a new digital point resources with a view to exploring more diversified means for the use of digital points. In addition, the Changyou Platform also secured a significant number of application ecological resources, established the foundation of digital assets application, and promoted the circulation of digital assets. The Group covering more than a thousand business scenarios, and reaching 100,000 offline outlets.

For its instalment business, the Group's products has been enriched with the introduction of top brand suppliers to meet various levels of consumer needs and trading habits, and consumer loyalty and conversion of digital points are respectively maximised and facilitated. During the year ended 31 December 2021 (the “**Reporting Period**”), financial cooperation business of the Group continued to grow with the expansion of its UnionPay channels combined with channel activities, such as UnionPay – Centralized Operation Center project, Pay Full for Immediate Reduction of Changyou Mobile QuickPass, Mobile QuickPass-Changyou China Mobile Red Packet Promotion Project as well as UnionPay Customer Acquisition activities.

## **Entertainment**

To continue to expand the scenarios of the Group's Digital Points Business and build a more solid customer base, as well as to achieve the acquisition and conversion of target customers, during the Reporting Period, the Group vigorously expanded its application ecosystem, established sub-businesses covering video and audio, lifestyle services, games and entertainment and prioritised the development of entertainment scenarios, strengthened its retail business and cooperation with brands, and has achieved good results.

In the Group's development of online entertainment scenarios, two games with over 100 million downloads were promoted through collaboration. In the next stage, the Changyou Platform will continue to stabilise the promotion channels of the abovementioned games. Meanwhile, the Changyou Platform has conducted a detailed analysis of the population in the entertainment scenario on an ongoing basis and further diversified and captured different user profiles, precisely located its target user groups, and accurately delivered the promotion content through the development of membership benefits for members of entertainment platforms such as games and live streaming as well as props exchange.

During the Reporting Period, the Group communicated and contacted 220 merchants, including important partners and well-known companies. The Group will continue to update the cooperation plan with its partners and upgrade the operation plan.

## **Retail**

The Group has continued to develop its retail business by further expanding the development of consumer user interface including interface for catering, offline entertainment, travel services, tourism services and department stores, established cooperation relationships with large companies and continued to enrich the provision of products relating to clothing, food, housing and transportation. The Group has developed in key cities in the PRC as well as online and offline markets to centralise its business and further broadened its application channels for the business of Changyou points. During the Reporting Period, the Group completed the signing for direct cooperations with approximately 7,600 products, and improved the supply chain of the six major cross-industry interests and physical products. As for the catering industry, the Group adjusted its development plan from focusing on key urban business districts to key catering brands, and had chosen a fast food restaurant chain as a pilot scheme in Nanjing and Shanghai for initial testing and implementation. At the same time, the Group also continued to communicate with more chain restaurant brands.

## **Joint Brand Business Operations**

Financial institutions relied on the operational capabilities and product advantages of the Changyou Platform to carry out joint marketing activities through vertical use scenario and points exchange process, the marketing makes full use of various promotion channels to reach users in multiple ways, and offers users plentiful supply of products and services while also enhancing user experience and improving overall operational efficiency and transaction volume. During the Reporting Period, the Group alliances with a number of large enterprises, the mature commercialised product models together with the strong resource support from the Changyou Platform greatly boosted the orders and the users' conversion rate during the new users registration marketing campaigns jointly held with China Mobile and UnionPay.

## **Travel related businesses**

### *Public Transportation Services*

During the Reporting Period, the Group's public transportation services were steadily promoted with the introduction of daily service support such as travel vouchers, public transportation deduction vouchers and monthly bicycle pass and the addition of Wechat riding business scenario. During the Reporting Period, travel vouchers provided by the Group and which may be redeemed by customers using Changyou points have covered more than 10 provinces and cities across the country. At the same time, the Group continued to enrich scenic spot ticket redemption vouchers and tourist privileges to meet more users' needs for urban travel. The Changyou Platform actively expands livelihood scenarios, improves user conversion rate and vitality, and ultimately retains users in the private domain of the Changyou ecology.

### *Personal Car Owner Services*

The Group has entered into cooperation agreements with many industry-leading carpark service brands to provide parking payment and refuelling services, regular maintenance and repair and car washing services. During the Reporting Period, the Group introduced a number of industry-leading suppliers as partners, opening up the major scenarios of high-frequency cars such as parking, charging, and payment and providing immediate reduction for parking and other activities. At the same time, the Changyou Platform continued to enhance technical innovation, strengthened the management of the research and development process, improved the quality of project delivery, further enforced the monitoring of system operation conditions, provided timely warning and rapid repair for operational faults, and completed the monitoring of operational data, customer complaints and real-time business complaint process optimization.

## **FINANCIAL REVIEW**

### **Revenue**

The Group recorded a consolidated revenue of approximately RMB114.2 million (2020: approximately RMB268.8 million), representing a decrease of approximately 57.5% as compared to 2020. During the year ended 31 December 2021, the Company targeted to provide its products to customers with higher profit margins. Revenue from products with lower profit margins or offered at the most favourable price was reduced gradually, which resulted in a decrease in the Group's revenue for the year ended 31 December 2021. The Company believes that the business strategy of increasing the gross profit margin of revenue will be advantageous to the development of the Digital Points Business.

### **Gross profit**

Gross profit for the year ended 31 December 2021 amounted to approximately RMB12.7 million (2020: approximately RMB1.0 million). Since the Company changed its business strategy to providing its products to customers with higher profit margins, the gross profit margin was eventually increased to approximately 11.1% (2020: approximately 0.4%).

### **Other income**

Other income of the Group for the year ended 31 December 2021 was approximately RMB0.6 million (2020: approximately RMB0.7 million). A detailed breakdown of the factors contributing to the other income of the Group is disclosed in note 5 to the financial information as disclosed in this announcement.

### **Impairment (loss)/gain of trade and other receivables**

Impairment loss of the Group for the year ended 31 December 2021 was approximately RMB0.9 million, which mainly represents impairment loss of trade and other receivables during the year ended 31 December 2021. Recoveries of other receivables were recognised in 2020, there was no such recoveries recognised during the year ended 31 December 2021 (2020: impairment gain of trade and other receivables of approximately RMB29.7 million).

## **Selling and distribution expenses**

Selling and distribution expenses of the Group for the year ended 31 December 2021 decreased to approximately RMB24.2 million (2020: approximately RMB25.3 million). The decrease was mainly attributable to reduced sales and promotion activities for the Changyou Platform during the year ended 31 December 2021.

## **Administrative expenses**

The Group's administrative expenses for the year ended 31 December 2021 increased to approximately RMB51.9 million (2020: approximately RMB45.0 million). The increase was mainly attributable to the development of software as a service (the "SaaS") business and cost of employee layoffs during the year ended 31 December 2021.

## **Research and development costs**

Research and development costs of the Group for the year ended 31 December 2021 increased to approximately RMB39.0 million (2020: approximately RMB36.2 million). The increase was mainly attributable to the increase in staff costs for research and development activities and cost of employee layoffs during the year ended 31 December 2021.

## **Finance costs**

The Group incurred finance costs of approximately RMB20.4 million for the year ended 31 December 2021 (2020: approximately RMB6.4 million). A detailed breakdown of the factors contributing to the finance costs of the Group is disclosed in note 6(a) to the financial information as disclosed in this announcement.

## **Taxation**

No income tax expenses was recorded for the years ended 31 December 2021 and 31 December 2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, cash and cash equivalents of the Group were approximately RMB50.4 million (as at 31 December 2020: approximately RMB152.3 million). As compared to 2020, cash and cash equivalents decreased by approximately RMB101.9 million, mainly due to net cash outflow arising from operating activities of approximately RMB103.4 million (2020: approximately RMB104.2 million), net cash outflow arising from investing activities of approximately RMB0.5 million (2020: net cash inflow of approximately RMB30.4 million) and net cash inflow from financing activities of approximately RMB3.8 million (2020: approximately RMB94.7 million).

## Convertible Bonds

In view of the increasing popularity of consumer spending with digital points, the successful experience of the Group in developing the Changyou Platform and the robust performance and growth of the Changyou Platform, the Company intended to issue HK\$126.0 million 3.5% convertible bonds (the “**2020 Convertible Bonds**”) to Century Investment (Holding) Limited (“**CIH**”), the net proceeds of which was intended to be utilised to expand the Digital Point Business into the Hong Kong and overseas markets by developing an additional new digital point electronic platform with Hong Kong and overseas as the target markets (the “**New International Changyou Platform**”).

On 29 July 2020, the Company entered into a subscription agreement with CIH, pursuant to which the Company shall issue the 2020 Convertible Bonds to CIH. The 2020 Convertible Bonds bear interest at 3.5% per annum and will mature on the date falling three years after the first issue date of the 2020 Convertible Bonds. For further details of the transaction, please refer to the announcement of the Company dated 29 July 2020 and the circular of the Company dated 17 September 2020.

The issuance of the 2020 Convertible Bonds was completed on 19 October 2020.

As at 31 December 2021, the actual uses of the proceeds from the issuance of the 2020 Convertible Bonds were as follows:

Usage	Original use of the net proceeds from the issuance of the 2020 Convertible Bonds as disclosed in the circular of the Company dated 17 September 2020	Proposed change in the allocation of the net proceeds from the issuance of the 2020 Convertible Bonds	Revised use of the net proceeds from the issuance of the 2020 Convertible Bonds	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds	Estimated timeline for utilitation of the net proceeds from the issuance of the 2020 Convertible Bonds after reallocation
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	
To fund the development of the New International Changyou Platform supported by relevant technology infrastructure which enables effective extraction and development of big data samples, creating a precise and extensive database of consumer transactions and consumption behavior	25.0	(22.0)	3.0	–	31 December 2023
To fund the set-up of a new team, comprising various departments such as information technology, marketing, and general administration, which is to support the daily operations of the New International Changyou Platform	25.0	(15.0)	10.0	–	31 December 2023

Usage	Original use of the net proceeds from the issuance of the 2020 Convertible Bonds as disclosed in the circular of the Company dated 17 September 2020	Proposed change in the allocation of the net proceeds from the issuance of the 2020 Convertible Bonds	Revised use of the net proceeds from the issuance of the 2020 Convertible Bonds	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds	Estimated timeline for utilitation of the net proceeds from the issuance of the 2020 Convertible Bonds after reallocation
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	
To fund promotional and marketing activities, such as advertising, roadshow promotion, customers bonus rewards, etc., to attract merchants and customers into the New International Changyou Platform and maintain their loyalty and participation	40.0	(40.0)	–	–	
As the general working capital of the New International Changyou Platform	10.0	(8.0)	2.0	–	31 December 2023
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the existing Changyou Platform in the PRC (the "Existing PRC Changyou Platform")	–	10.0	10.0	7.9	31 December 2022
To fund the staff costs and staff related expenses and the development of the technology infrastructure for the Existing PRC Changyou Platform	–	60.0	60.0	60.0	31 December 2021
To fund the fixed administrative expenses for the Existing PRC Changyou Platform (excluding promotion and marketing expenses and staff costs and staff related expenses)	–	12.0	12.0	12.0	31 December 2021
For the repayment of the unsecured revolving loan from CIH	–	–	–	–	31 December 2022
As the general working capital of the Group	24.4	3.0	27.4	27.4	30 June 2022
Total	124.4	–	124.4	107.3	

## Issue of Warrants

On 26 March 2018, the Company and CIH, the substantial shareholder of the Company, entered into a warrant subscription agreement, pursuant to which the Company shall issue 298,000,000 warrants (“**Warrants**”) to CIH at a subscription price of HK\$0.01 per Warrant. The Company received the subscription price of HK\$2,980,000. For further details of the transaction, please refer to the announcements of the Company dated 26 March 2018 and 27 June 2018, respectively, and the circular of the Company dated 5 July 2018. The Warrants were issued on 18 September 2018. The net proceeds from the issue of Warrants (after deduction of relevant expenses) of approximately HK\$1,480,000 was fully utilised for the development of the Changyou Platform during the year ended 31 December 2018.

Upon the fulfilment of certain conditions, the Warrants are exercisable in full or in part at any time between the period commencing on the date that is six months after the date of the issue of the Warrants and ending on the earliest of (i) the date on which all Warrants have been exercised in full; and (ii) the date that is the fifth anniversary date of the issue date of such Warrants. None of the Warrants were exercised during the year ended 31 December 2021. However, the Company is of the view that CIH has demonstrated continuous support and motivation to improve the Company’s financial performance. CIH will continue to introduce strategic partners to the Group so as to further enhance the performance.

## Share options

On 7 August 2018, the Company granted 72,000,000 share options to Cheng Jerome, the chairman and an executive Director. For further details of the transaction, please refer to the announcement of the Company dated 4 May 2018 and the circular of the Company dated 15 June 2018. No option was exercised during the year ended 31 December 2021.

## Deemed disposal of equity interest in a subsidiary

On 29 July 2020, PCL entered into a subscription agreement with an investor (“**New Investor**”), pursuant to which, among other things, PCL conditionally agreed to allot and issue, and the New Investor conditionally agreed to subscribe for or shall procure the nominee of the New Investor to subscribe for, not less than 61,078,767 but not more than 73,287,671 shares of PCL at the subscription price of not less than US\$35,670,000 but not more than US\$42,800,000 (the “**2020 Subscription**”). The net proceeds expected to be raised upon the completion of the 2020 Subscription was intended to be utilised for, among other things, the development and expansion of the Digital Point Business and the Existing PRC Changyou Platform. The subscription price payable for the 2020 Subscription was determined after arm’s length negotiations between PCL and the New Investor on the basis of the pre-money valuation of US\$593 million. For further details of the 2020 Subscription, please refer to the announcement of the Company dated 29 July 2020 and the circular of the Company dated 22 September 2020.

As at the date of this announcement, the 2020 Subscription had yet to be completed and no proceeds from the 2020 Subscription were received. PCL and the New Investor are using all reasonable efforts within their respective capacity to satisfy the conditions precedent of the 2020 Subscription by 30 June 2022 (being the long stop date of the 2020 Subscription).

Assuming the maximum proceeds of US\$42.8 million (equivalent to approximately RMB277 million) are raised from the 2020 Subscription, it is expected that the proceeds will be applied as follows and will be fully utilised by June 2024:

<b>Usage</b>	<b>Proposed use of proceeds from the 2020 Subscription as previously disclosed in the circular of the Company dated 22 September 2020 RMB (million)</b>
To fund fixed expenses (comprising salaries and other administrative expenses) for the recruitment and retention of personnel and management and for the development of the Existing PRC Changyou Platform	129
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the Existing PRC Changyou Platform	138
To fund capital expenditure of the Existing PRC Changyou Platform	2
To fund general working capital of PCL and its subsidiaries	8
	277
	277

### **Net assets**

As at 31 December 2021, net current assets of the Group amounted to approximately RMB46.0 million (as at 31 December 2020: approximately RMB136.4 million). As at 31 December 2021, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 1.33 (as at 31 December 2020: approximately 1.97).

As at 31 December 2021, total assets of the Group were approximately RMB191.0 million (as at 31 December 2020: approximately RMB289.9 million) and total liabilities were approximately RMB253.2 million (31 December 2020: approximately RMB227.7 million). The debt ratio as at 31 December 2021 (being total liabilities divided by total assets) was 1.33 as compared to 0.79 as at 31 December 2020.

## **Borrowings**

As at 31 December 2021, the Group had total borrowings (which consisted of convertible bonds) of approximately RMB112.3 million (as at 31 December 2020: approximately RMB84.2 million). The gearing ratio as at 31 December 2021 (being total borrowing divided by total equity) was approximately -1.81 (as at 31 December 2020: approximately 1.35).

## **Trade and other receivables**

Trade and other receivables of the Group as at 31 December 2021 were approximately RMB134.2 million (as at 31 December 2020: approximately RMB122.2 million). A detailed breakdown of the factors contributing to the trade and other receivables of the Group is disclosed in note 9 to the financial information as disclosed in this announcement.

## **Inventories**

The inventory balance of the Group as at 31 December 2021 was approximately RMB0.6 million (as at 31 December 2020: approximately RMB1.4 million). The Digital Point Business requires minimal inventory level.

## **Trade and other payables**

Trade and other payables of the Group as at 31 December 2021 were approximately RMB137.3 million (as at 31 December 2020: approximately RMB133.7 million). A detailed breakdown of the factors contributing to the trade and other payables of the Group is disclosed in note 10 to the financial information as disclosed in this announcement.

## **Pledged assets**

As at 31 December 2021, the Group did not have pledged assets (as at 31 December 2020: Nil).

## **Capital commitment**

As at 31 December 2021, the Group had no contracted capital commitments which were not provided in the financial statements (as at 31 December 2020: Nil).

## **Employees and remuneration policy**

As at 31 December 2021, the Group had 71 employees (as at 31 December 2020: 236 employees). For the year ended 31 December 2021, total staff costs were approximately RMB81.0 million (2020: approximately RMB79.8 million). During the year, the Group also provided internal training, external training and correspondence courses for its staff in order to promote self improvement and enhancement of skills relevant to work. The remuneration of the Directors was determined with reference to their position, responsibilities and experience and prevailing market conditions.

## **Foreign exchange risk**

The business of the Group is mainly located in China and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. As at 31 December 2021, the Group's net foreign currency assets amounted to approximately RMB22 million (as at 31 December 2020: approximately RMB1.2 million). During the year ended 31 December 2021, the Group did not utilise any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for the deemed disposal of equity interest in PCL by the Company as disclosed in this announcement, there were no significant investments held nor material acquisitions or disposals of subsidiaries during the year ended 31 December 2021. There was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

## **DIVIDEND**

The Board does not recommend payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## PROSPECTS

The Changyou Platform is a digital assets platform which serves issuance, circulation, payment and settlement of digital assets which can be tokenised and a gate point for point redemption. Leveraging on the smart business environment, the Group utilises the channel and customer resources of the Changyou Platform and bring the new resources to merchant, insights into the intrinsic needs of enterprises and achieve network synergy and win-win cooperation.

In 2022, the Group will further deepen and expand its two-wheel drive strategy to consolidate resource allocation of digital asset resources and explore further the application ecology. The Group will focus on main site operation under the strategic model of “One Body and Two Wings”. The operation center is responsible for the operation of the main site APPs and public account, with an aim to build a high-quality supply chain and provide operational solutions to its business partners. The Group will focus on point utilization improvement for merchants to enhance their sales Changyou Platform revitalise users for point transactions, and bring into traffic for card organisations, banks and consumption finance. Relying on Changyou Platform two basic businesses, the Group will seek additional profits from the digital point utilisation enhancement business model under the bonus point transaction scenario. For our business clients, the Group will provide banks and insurance companies with rewards and marketing activities support, such as the parking and charging rewards for car owners. The Group integrates the marketing resources of Business organisations, and continues to expand cooperation population and reward business with banks.

The Group will continue to strengthen its service provider role in UnionPay and banking channels, including cooperation in entertainment and audio-visual, public transportation, parking and refueling, mass consumption, user promotion, active card users, event operations and supply chain. By exploring and combining the business needs of UnionPay, banks and payment institutions in new year and riding on the existing business models, we will expand in-depth cooperation with the respective. By leveraging the flexible mechanism and the advantages of interconnection of Changyou Platform, the Group aims to achieve the goal of “maintaining existing business and expanding new business” for business growth and deepen the joint cooperation model of “building periphery and promoting synergy”.

In addition, the Group will also strengthen business cooperation and resource linkage with large enterprises to form a brand cooperation effect. The Group will also strive to improve users’ activeness and improve all parties’ return by creating business linkage between merchandise and sales aspects, the Group will utilise the exclusive and unique quality rewards of the KA merchants such as head restaurants, big retail, transportation and travel to enhance their cooperation with UnionPay, banks and payment institutions. The Group will continue to expand national and regional cooperation with quality merchants and rewards. So as to solidify its position as the service provider for the provision of products and services. The Group will establish direct and deeply customised equity cooperation with top brands in related industries to expand the brand influence of Changyou and continuously increase the loyalty and activity level of Changyou’s point users.

The impact of the COVID-19 pandemic on the global economy has been far-reaching and has led to disruptions to many businesses across various industries. The development of the New International Changyou Platform is expected to be delayed under current situation. However the management of the Company is initiating a discussion with CIH, a substantial shareholder of the Company. The parties intend to enter into a memorandum of undertaking with a purpose of exploring the potential cooperation of establishing a joint venture to operate the New International Changyou Platform. Each party will contribute their resources so as to mitigate the risks and reduce the time to bring the New International Changyou Platform online in 2022.

Looking ahead, the Group will grasp the huge opportunities brought by the rapid development of the Internet, big data, artificial intelligence and SaaS and other cutting-edge technologies, make good use of the synergy brought by policy support, complement its own technology, products, services and business model to create a benchmark cross-industry digital point marketing platform with points free of circulation, and make it a corporate mission to explore the value of points and realise the efficient aggregation and flow of points, and move forward towards the vision of empowering merchants and promoting the upgrade of their business capabilities, so as to bring long-term sustainable returns to its shareholders and investors and the society.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders. During the year ended 31 December 2021, the Company has applied the principles of and has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (effective until 31 December 2021) (the “**CG Code**”) as contained in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), save for the deviation as set forth below:

### **Code Provision A.6.7**

Code Provision A.6.7 of the CG Code provides that independent non-executive Directors and non-executive Directors should generally attend general meetings of the Company. Mrs. Guo Yan and Mr. Liu Jialin were not able to attend the annual general meeting of the Company held on 25 June 2021 and the extraordinary general meeting of the Company held on 31 May 2021 due to their other engagement in other commitments.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 24 June 2022. A notice convening the annual general meeting will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 24 June 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 20 June 2022.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31 December 2021.

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed and declared that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group, the selection and appointment of the external auditors and the effectiveness of the systems of risk management and internal control of the Group.

## **EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT**

KPMG was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2021:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “**Code**”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Material uncertainty related to going concern**

We draw attention to the consolidated financial statements which indicates that Group incurred net loss of RMB124,863,000 and net operating cash outflows of RMB103,394,000 during the year ended 31 December 2021, and had net liabilities of RMB62,216,000 as at 31 December 2021. The Group’s ability to meet its liabilities depends on its ability to generate sufficient cash flows from future operations and/or other sources. As stated in Note 2(b), these events or conditions, along with other matters set forth in Note 2(b), indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## **PUBLICATION OF RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.changyou-alliance.com](http://www.changyou-alliance.com). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By order of the Board  
**Changyou Alliance Group Limited**  
**Mr. Cheng Jerome**  
*Chairman*

Hong Kong, 30 March 2022

*As at the date of this announcement, the executive Directors are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Director is Mrs. Guo Yan; and the independent non-executive Directors are Mr. Wong Chi Keung, Mr. Liu Jialin and Mr. Chan Chi Keung Alan.*