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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 2023**

#### **HIGHLIGHTS**

- The revenue of the Group increased to approximately RMB226.8 million for the year ended 31 December 2023 (2022: approximately RMB215.0 million), representing an increase of approximately 5.4% as compared to 2022.
- The gross profit of the Company increased to approximately RMB39.3 million for the year ended 31 December 2023 (2022: approximately RMB28.3 million), representing an increase of approximately RMB11.0 million during the period.
- The total transaction volume from the Changyou Alliance business increased to approximately RMB257.1 million for the year ended 31 December 2023 (2022: approximately RMB236.0 million).
- The net loss attributable to equity shareholders of the Company amounted to approximately RMB37.6 million for the year ended 31 December 2023 (2022: approximately RMB34.7 million).
- The basic and diluted loss per share for the year ended 31 December 2023 amounted to approximately RMB2.07 cents (2022: approximately RMB1.92 cents).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

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 2023.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

(Expressed in Renminbi (“RMB”))

		2023	2022
	<i>Note</i>	<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue</b>	4	<b>226,751</b>	215,038
Cost of sales		<u>(187,477)</u>	<u>(186,766)</u>
<b>Gross profit</b>		<b>39,274</b>	28,272
Other income/(expenses)	5	<b>2,640</b>	(84)
Selling and distribution expenses		<b>(5,343)</b>	(6,076)
Administrative expenses		<b>(30,678)</b>	(32,174)
Research and development costs		<b>(9,735)</b>	(12,554)
Impairment (loss)/gain on trade and other receivables		<u>(55)</u>	<u>7,274</u>
<b>Loss from operations</b>		<b>(3,897)</b>	(15,342)
Gain on disposal of a subsidiary		–	208
Finance costs	6(a)	<b>(34,354)</b>	(33,282)
Loss arising from changes in fair value on trading securities		<u>(365)</u>	<u>(326)</u>
<b>Loss before taxation</b>	6	<b>(38,616)</b>	(48,742)
Income tax	7	<u>–</u>	<u>–</u>
<b>Loss for the year</b>		<b><u>(38,616)</u></b>	<b><u>(48,742)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(37,562)</b>	(34,725)
Non-controlling interests		<u>(1,054)</u>	<u>(14,017)</u>
<b>Loss for the year</b>		<b><u>(38,616)</u></b>	<b><u>(48,742)</u></b>
<b>Loss per share</b>			
Basic and diluted (RMB cent)	8	<b><u>(2.07)</u></b>	<b><u>(1.92)</u></b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

(Expressed in RMB)

	2023 RMB'000	2022 RMB'000
<b>Loss for the year</b>	<b>(38,616)</b>	<b>(48,742)</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>1,101</u>	<u>(4,834)</u>
<b>Total comprehensive income for the year</b>	<b><u>(37,515)</u></b>	<b><u>(53,576)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(36,461)</b>	<b>(39,559)</b>
Non-controlling interests	<u>(1,054)</u>	<u>(14,017)</u>
<b>Total comprehensive income for the year</b>	<b><u>(37,515)</u></b>	<b><u>(53,576)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in RMB)

		At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
<b>Non-current assets</b>			
Property and equipment		<u>3,494</u>	<u>5,836</u>
		<u>3,494</u>	<u>5,836</u>
<b>Current assets</b>			
Trading securities		296	655
Inventories		87	163
Trade and other receivables	9	120,255	114,778
Cash and cash equivalents		<u>25,415</u>	<u>32,974</u>
		<u>146,053</u>	<u>148,570</u>
<b>Current liabilities</b>			
Trade and other payables	10	134,104	124,517
Lease liabilities	12	1,757	2,403
Convertible bonds	11	114,972	90,535
Loans from an equity shareholder of the Company	13	<u>50,821</u>	<u>50,095</u>
		<u>301,654</u>	<u>267,550</u>
<b>Net current liabilities</b>		<u>(155,601)</u>	<u>(118,980)</u>
<b>Total assets less current liabilities</b>		<u>(152,107)</u>	<u>(113,144)</u>
<b>Non-current liabilities</b>			
Lease liabilities	12	<u>1,212</u>	<u>2,660</u>
		<u>1,212</u>	<u>2,660</u>
<b>NET LIABILITIES</b>		<u>(153,319)</u>	<u>(115,804)</u>

		At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
<b>CAPITAL AND RESERVES</b>	<i>17</i>		
Share capital		117,812	117,812
Reserves		<u>116,876</u>	<u>153,739</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>234,688</b>	271,551
<b>Non-controlling interests</b>		<u>(388,007)</u>	<u>(387,355)</u>
<b>TOTAL EQUITY-DEFICIT</b>		<b><u>(153,319)</u></b>	<b><u>(115,804)</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 2023.

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 ("HKICPA") 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 new and amended 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 2023 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for trading securities 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 2023, the Group had net loss of RMB38,616,000. As at 31 December 2023, the Group had net current liabilities and net liabilities of RMB155,601,000 and RMB153,319,000, respectively. 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. These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In this regard, the Group is in discussion with its immediate and ultimate holding company, Century Investment (Holding) Limited (“Century Investment”), to provide the necessary financial support when required, including but not limited to:

- (i) renewal the outstanding principal of loan from Century Investment of HK\$56,080,000 (equivalent to approximately RMB50,821,000) upon maturity (see Note 13 below); and
- (ii) issuance of new convertible bonds to Century Investment as the original convertible bonds of HK\$126,870,000 (equivalent to approximately RMB114,972,000) expired in October, 2023 (see Note 11).

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.

The principal activities of the Group were carried out by Shanghai Sub-chain Information Technology Co., Ltd. (“Sub-chain”, VIE), which was established as a limited liability company in the PRC, and its subsidiaries. Since the business conducted by Sub-chain and its subsidiaries is subject to foreign investment restrictions under the relevant laws and regulations in the PRC, Centchain Co., Ltd. (“Centchain”, WFOE), a subsidiary of the Company, entered into a series of agreements (the “Contractual Arrangements”) with Sub-chain and its equity shareholders. As a result of the Contractual Arrangements, the Group has rights to exercise power over Sub-chain and its subsidiaries, receives variable returns from its involvement in Sub-chain and its subsidiaries, has the ability to affect those returns, and hence, has the control over Sub-chain and its subsidiaries. Consequently, the Group regards Sub-chain and its subsidiaries as controlled entities, and the directors of the Company consider it is appropriate to account Sub-chain as a subsidiary. The directors of the Company have determined that the Contractual Arrangements are in compliance with PRC laws and are legally enforceable.

### 3 CHANGES IN ACCOUNTING POLICIES

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

- *HKFRS 17, Insurance contracts*
- *Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- *Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- *Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- *Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules*
- *New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism*

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. 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 in the People's Republic of China ("PRC") 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:

	2023 <i>RMB'000</i>	2022 <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	226,751	214,220
– Over time	–	818
	<u>226,751</u>	<u>215,038</u>

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 2023 (2022: no customer with whom transactions exceeded 10%).

**(b) Geographic information**

All of the Group's revenue for the years ended 31 December 2023 and 2022 were generated from sales and services to customers in 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/(EXPENSES)**

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Interest income	24	77
Net gain/(loss) on disposal of property and equipment	76	(1)
Penalty for early termination of a lease contract	–	(875)
Additional value added tax credit	1,962	–
Others	578	715
	<u>2,640</u>	<u>(84)</u>

**6 LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging:

**(a) Finance costs**

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Interest expenses on lease liabilities	388	315
Finance charges on convertible bonds ( <i>Note 11</i> )	26,952	24,359
Interest expenses on loans from an equity shareholder of the Company ( <i>Note 13</i> )	3,281	3,331
	<u>30,621</u>	<u>28,005</u>
Net foreign exchange loss	3,733	5,277
	<u>34,354</u>	<u>33,282</u>

No borrowing costs have been capitalised for the year ended 31 December 2023 (2022: RMBNil).

(b) Staff costs:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	23,895	23,552
Termination benefits ( <i>Note (i)</i> )	214	1,650
Contributions to defined contribution retirement plans ( <i>Note (ii)</i> )	1,599	2,039
	<u>25,708</u>	<u>27,241</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 2023 and 2022.
- (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% (2022: 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 abovementioned retirement schemes at their normal retirement age. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce existing level of contributions.

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 Schemes 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Depreciation expenses		
– owned property and equipment	482	651
– right-of-use assets	2,178	2,536
	<u>2,660</u>	<u>3,187</u>
Operating lease charges relating to short-term leases and leases of low-value assets	2,070	2,268
Auditor's remuneration-audit services	1,900	1,950
Cost of inventories	187,477	186,766

## 7 INCOME TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current and deferred taxation	<u>—</u>	<u>—</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss before taxation	<u>(38,616)</u>	<u>(48,742)</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> )	(2,360)	(3,783)
Tax effect of non-deductible expenses	6,826	5,646
Tax effect of unused tax losses and deductible temporary differences not recognised	<u>(4,466)</u>	<u>(1,863)</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 2023 (2022: 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 2023 (2022: 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 2023 (2022: 25%).
- (iv) One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the period from the calendar years from 2022 to 2024 and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2023 (2022: 15%).

## 8 LOSS PER SHARE

### (a) Basic loss per share

The basic loss per share for the year ended 31 December 2023 is calculated based on the loss attributable to the equity shareholders of the Company of RMB37,562,000 (2022: RMB34,725,000) and the weighted average of 1,810,953,000 ordinary shares (2022: 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, but were not included in the calculation of diluted loss per share because they were antidilutive for the years ended 31 December 2023 and 2022.

**9 TRADE AND OTHER RECEIVABLES**

	<b>At 31 December 2023 RMB'000</b>	At 31 December 2022 RMB'000
Trade receivables	<b>10,723</b>	5,571
Less: loss allowance	<b>(233)</b>	(141)
	<b>10,490</b>	5,430
Other receivables:		
– Loans to third parties	–	9,210
– 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>2,781</b>	1,702
	<b>102,781</b>	110,912
Less: loss allowance	–	(9,247)
	<b>102,781</b>	101,665
Financial assets measured at amortised cost	<b>113,271</b>	107,095
Prepayments and deposits	<b>6,984</b>	7,683
	<b>120,255</b>	114,778

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) At 31 December 2023, trade receivables expected to be settled through fellow subsidiaries of the certain non-controlling shareholder of Pointsea Company Limited (“PCL”) amounted to RMB10,614,000 (2022: RMB5,134,000).
- (ii) In 2019, PCL issued 28,036,564 new shares to an 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 2023 RMB'000</b>	At 31 December 2022 RMB'000
Within 3 months	10,399	5,408
Over 3 months but within 6 months	85	14
Over 6 months	<u>6</u>	<u>8</u>
	<b><u>10,490</u></b>	<b><u>5,430</u></b>

Trade receivables are generally due immediately from the date of billing.

## 10 TRADE AND OTHER PAYABLES

	<b>At 31 December 2023 RMB'000</b>	At 31 December 2022 RMB'000
Trade payables	<u>12,452</u>	<u>9,440</u>
Payables for staff related costs	1,802	1,153
Payables for miscellaneous taxes	24	42
Payables for selling expenses incurred for digital point business	157	80
Advance from a non-controlling equity shareholder of a subsidiary ( <i>Note 9(ii)</i> )	100,000	100,000
Interest payable to an equity shareholder of the Company	–	4,496
Others	<u>6,442</u>	<u>5,765</u>
	<b><u>108,425</u></b>	<b><u>111,536</u></b>
Financial liabilities measured at amortised cost	120,877	120,976
Deposits received from business partners in connection with the digital point business	526	431
Contract liabilities	<u>12,701</u>	<u>3,110</u>
	<b><u>134,104</u></b>	<b><u>124,517</u></b>

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 2023 RMB'000</b>	At 31 December 2022 RMB'000
Within 3 months	11,994	7,918
3 to 6 months	76	949
Over 6 months	<u>382</u>	<u>573</u>
	<b><u>12,452</u></b>	<b><u>9,440</u></b>

## 11 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

	<b>Liability components RMB'000</b>
At 1 January 2022	63,284
Accrued finance charges for the year ( <i>Note 6(a)</i> )	24,359
Interest paid or payable	(3,789)
Exchange adjustments	<u>6,681</u>
At 31 December 2022 and 1 January 2023	90,535
Accrued finance charges for the year ( <i>Note 6(a)</i> )	26,952
Interest paid or payable	(3,953)
Exchange adjustments	<u>1,438</u>
At 31 December 2023	<b><u>114,972</u></b>
	<b>At 31 December 2023 RMB'000</b>
At 31 December 2022	<b>At 31 December 2022 RMB'000</b>
Represented by:	
– current liabilities	114,972
– non-current liabilities	90,535
	<b><u>–</u></b>
	<b><u>–</u></b>

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 bears interest at 3.5% per annum and matured 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.

CB1 matured on 19 October 2023 and Century Investment did not exercise the conversion rights attached thereto. Century Investment has confirmed that it would not require the Company to redeem the CB1 in full on the maturity date, and the Company would not be in breach of any terms of the CB1 as a result thereof.

In January 2024, the Company entered into a Subscription Agreement (“the Subscription Agreement”) with Century Investment pursuant to which the Company will issue convertible bonds with aggregate principal amount of HK\$126,000,000 (“CB2”) to Century Investment. The convertible bonds will bear interest at 8% per annum and will be due on the date falling three years after the date of issuance. The completion of the convertible bonds issuance mentioned above is subject to fulfilment of conditions set out in the agreement, including the Company’s independent equity shareholders’ approval.

Upon issuance of CB2, CB1 shall be redeemed and the outstanding amount of the principal under the CB1 shall be set off against all amounts owed by the Century Investment to the Company in respect of the Subscription Agreement of CB2. The Company’s obligations as the issuer of CB1 shall be deemed to have been completed and satisfied, and the Century Investment unconditionally and irrevocably waives all rights and claims (if any) it has against the Company in connection with CB1.

## 12 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Within 1 year	1,757	2,403
After 1 year but within 2 years	1,212	1,574
After 2 years but within 5 years	–	1,086
	<u>1,212</u>	<u>2,660</u>
	<u>2,969</u>	<u>5,063</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. On 2 May 2023, PCL and Century Investment entered into a supplemental loan facility agreement, pursuant to which both PCL and Century Investment agreed to extend the term of the loan period from 3 years to 4 years. At 31 December 2023, the outstanding principal of loans drawn under the Facility Agreements is HK\$56,080,000 (equivalent to approximately RMB50,821,000) (2022: HK\$56,080,000 (equivalent to approximately RMB50,095,000)).

## 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:**

	Number of instruments	Vesting condition	Contractual life of share options
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:**

	2023		2022	
	Weighted average exercise price <i>HK\$</i>	Number of share options	Weighted average exercise price <i>HK\$</i>	Number of share options
Outstanding at the beginning of the year	1.21	72,000,000	1.21	72,000,000
Expired during the year	1.21	<u>(72,000,000)</u>		–
Outstanding at the end of the year		<u>–</u>	1.21	<u>72,000,000</u>
Exercisable at the end of the year		<u>–</u>	1.21	<u>72,000,000</u>

On 7 August 2018, 72,000,000 share options were granted to a director of the Company under the above share option scheme. All of the share options granted will vest immediately from the date of grant. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK\$1.21 and is settled gross in shares. No option was exercised during the year ended 31 December 2023 and the options were lapsed on 3 May 2023.

## 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 RMB528,658,000 at 31 December 2023 (2022: RMB558,087,000), 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 2023 will expire on or before 31 December 2033.

## 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 2023 (2022: 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 2022 (2021: RMBNil).

## 17 SHARE CAPITAL

### (i) Issued share capital

	2023		2022	
	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>

	2023		2022	
	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.

No warrant was exercised during the year ended 31 December 2023 (2022: Nil) and the warrants were lapsed on 7 August 2023.

## **18. ISSUANCE OF SHARES OF A SUBSIDIARY TO COMPANY UNDER COMMON CONTROL**

Pursuant to the equity transfer agreement for share between the Company's subsidiary, Changyou International and Excel Choice Global Limited ("ECG"), a company wholly owned by Ms. PUN Tang, the controlling shareholder of Century Investment, Changyou International issued 2 ordinary shares of USD1.00 each to ECG in March 2023. The difference between the consideration received and the carrying value of the net liabilities attributable to ECG was accounted as other reserve.

## 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, China UnionPay Merchant Services Company Limited, Bank of China Group Investment Limited, China Mobile (Hong Kong) Group Limited (“**China Mobile**”) and China Eastern Airlines Corporation Limited.

With an aim to integrate the digital membership points, resources and strategic advantages of the business partners in the Changyou Alliance, the Group has developed an electronic platform, “Changyou” (the “**Changyou Platform**”). 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 platform users. With the development of blockchain technology, digital assets have received increasing attention from the industry. By leveraging advanced technologies such as blockchain and big data, the Changyou Alliance aims to develop a global financial platform for the issuance, circulation, storage and payment settlement of blockchain tokenisation of assets.

Over the years, the Changyou Platform has increased the number of both members and users, and more diversified products and services, and has optimised the business models and consumption scenarios. As at 31 December 2023, the total number of registered users on the Changyou Platform was approximately 203.7 million, representing an increase of approximately 53.5 million registered users compared to the total number as at 31 December 2022. For the year ended 31 December 2023 (the “**Reporting Period**”), the total transaction volume of the Changyou Alliance business amounted to approximately RMB257.1 million, representing an increase of approximately RMB21.1 million (approximately 8.9%) over the same period last year.

The improvement in the results of the Group for the Reporting Period was achieved by (i) increasing the operating income of its existing businesses and accelerating the expansion of new businesses that are closely linked to existing platform resources, users and supply chain resources with a view to reducing the initial expansion costs of the new businesses and laying the foundation for the rapid development of the new businesses at a later stage; and (ii) optimising its supplier structure and combining high-frequency rigid services and products with high profit margin.

In 2023, building on the merchant ecosystem developed over the years, the Changyou Platform had optimised its products and strengthened its penetration into quality scenarios of Software as a Service (“**SaaS**”) digital points services, target-oriented services and corporate services, prompting steady growth in user base and continuous improvement in business revenue and operating profits on a year-on-year basis.

## **SaaS digital points service**

During the Reporting Period, the Group had continued to update the processes and page functions of its standard SaaS digital points services, which can be modularised for different merchants and adapted to access of online and offline merchants in various industries. It is also connected to three main payment tools in the PRC without direct contact with merchants, which allow for quick access to small and micro-merchants and franchisees and reduce the workload required for account reconciliation and settlement.

By connecting with games, entertainments and movie platforms and other traffic portals online, the Group expanded the usage scenario of user points. Taking advantage of its existing cooperation with China Mobile, the Group stayed close to users offline, expanding the number of brands of retail chains on the platform and providing services to the community and general public. The Group has also continuously made efforts in expanding its car ownership and travel service scenarios, increasing access to services such as parking, car washing and travel services (such as bus and metro), which lays the foundation for the subsequent target-oriented service.

By shortening the value chain between consumption scenarios and merchants, the Group reduced the number of benefit sharing entities involved and enhanced the profitability of the Changyou Platform. During the Reporting Period, the Group optimised the equity categories of the SaaS digital point service, improved the consolidated profitability and improved the product flow to enhance the conversion rate of each segment and improve the profitability of the closed loop business.

## **Target-oriented services**

During the Reporting Period, the Group had continued to re-optimize the public accounts such as Changyou Life public account, Joy with Changyou and Changyou Equity, forming a private domain and public account matrix. The Changyou Platform sorted out its supply chain and introduced various branded products, combining frequently-used equity and products with high profit margin to increase its overall repurchase rate and profitability.

The Group had continued to build the Changyou community, inviting more target customers to join the community, and providing them with targeted services such as promotions in respect of petrol and car washing for car owners, with the aim of promoting user retention and activity. In addition to products and equity sales, the Group relied on the Changyou private domain to explore advertising business, the use of the UnionPay application and to attract new users of bank credit cards, in order to diversify its source of profit growth.

## **Corporate Services**

The Group provides marketing services for banks, insurance companies and UnionPay through the business ecosystem facilitated by the Changyou Platform to attract new users and promote user activation. As for valet operation, the Group utilised the SaaS digital point services from the Changyou Platform to support the online business of small and micro-merchants and deliver online-to-offline on-site services. The Group had also empowered merchants through the SaaS digital points services from the Changyou Platform, which helped merchants in boosting their user transactions thereby increasing their revenue and profits. In addition, the Group had collaborated with a number of mainstream platforms across various industry verticals.

## **FINANCIAL REVIEW**

### **Revenue**

The Group recorded a consolidated revenue of approximately RMB226.8 million (2022: approximately RMB215.0 million), representing an increase of approximately 5.4% as compared to 2022. During the year ended 31 December 2023, the Group increased the operating income of its existing businesses and accelerated the expansion of new businesses that are closely linked to existing platform resources, users and supply chain resources.

### **Gross profit**

The gross profit of the Group for the year ended 31 December 2023 amounted to approximately RMB39.3 million (2022: approximately RMB28.3 million). Since the Company had changed its business strategy to providing its products to customers with higher profit margins, the gross profit margin for the year ended 31 December 2023 increased to approximately 17.3% (2022: approximately 13.1%).

### **Other income/(expenses)**

The other income of the Group for the year ended 31 December 2023 was approximately RMB2.6 million (2022: other expenses of approximately RMB0.1 million). A detailed breakdown of the factors contributing to the other income/(expenses) 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**

The impairment loss of the Group for the year ended 31 December 2023 was approximately RMB0.1 million, which mainly represents impairment loss of trade and other receivables during the year ended 31 December 2023 (2022: impairment gain of trade and other receivables of approximately RMB7.3 million).

### **Selling and distribution expenses**

The selling and distribution expenses of the Group for the year ended 31 December 2023 decreased to approximately RMB5.3 million (2022: approximately RMB6.1 million). The decrease was mainly attributable to reduced sales and promotion activities for the Changyou Platform during the year ended 31 December 2023.

### **Administrative expenses**

The Group's administrative expenses for the year ended 31 December 2023 decreased to approximately RMB30.7 million (2022: approximately RMB32.2 million). The decrease was mainly attributable to the continuous implementation of certain cost saving measures by the Group.

### **Research and development costs**

The research and development costs of the Group for the year ended 31 December 2023 decreased to approximately RMB9.7 million (2022: approximately RMB12.6 million). The decrease was mainly attributable to the decrease in subcontractor fee for research and development activities during the year ended 31 December 2023.

### **Finance costs**

The Group incurred finance costs of approximately RMB34.4 million for the year ended 31 December 2023 (2022: approximately RMB33.3 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 2023 and 31 December 2022.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2023, cash and cash equivalents of the Group were approximately RMB25.4 million (as at 31 December 2022: approximately RMB33.0 million). As compared to 2022, cash and cash equivalents decreased by approximately RMB7.6 million, mainly due to net cash inflow arising from operating activities of approximately RMB6.9 million (2022: net cash outflow of approximately RMB7.0 million), net cash outflow arising from investing activities of approximately RMB0.2 million (2022: approximately RMB0.5 million) and net cash outflow from financing activities of approximately RMB14.4 million (2022: approximately RMB11.1 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 issued 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 business operations of Changyou Alliance and the Changyou Platform (“**Digital Point Business**”) into 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 agreed to issue the 2020 Convertible Bonds to CIH. The issuance of the 2020 Convertible Bonds was completed on 19 October 2020. The 2020 Convertible Bonds bore interest at 3.5% per annum. The 2020 Convertible Bonds matured on 19 October 2023. For further details of the transaction, please refer to the announcements of the Company dated 29 July 2020 and 19 October 2023, and the circular of the Company dated 17 September 2020.

On 26 January 2024, the Company entered into a subscription agreement with CIH, pursuant to which the Company has conditionally agreed to issue and CIH has conditionally agreed to subscribe for HK\$126.0 million 8% convertible bonds (the “**2024 Convertible Bonds**”) due on the date falling three years after the issue date of the 2024 Convertible Bonds. As the outstanding amount of the principal under the 2020 Convertible Bonds shall be set-off against all amounts payable by CIH in respect of the issue price of 2024 Convertible Bonds, no net proceeds will be received by the Company from the issue of the 2024 Convertible Bonds. For further details, please refer to the announcement of the Company dated 26 January 2024 and the circular of the Company dated 15 March 2024.

As at 31 December 2023, 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 during the financial year ended 31 December 2023	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds as at 31 December 2023	Timeline/ estimated timeline for utilisation 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>	<i>HK\$ (million)</i>	
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 behaviour	25.0	(22.0)	3.0	0.4	1.2	31 December 2024
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	1.2	2.7	31 December 2024
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	0.3	0.4	31 December 2024
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	–	10.0	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

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 during the financial year ended 31 December 2023	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds as at 31 December 2023	Timeline/ estimated timeline for utilisation 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>	<i>HK\$ (million)</i>	
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
As the general working capital of the Group	24.4	3.0	27.4	-	27.4	30 June 2022
Total	<u>124.4</u>	<u>-</u>	<u>124.4</u>	<u>1.9</u>	<u>113.7</u>	

## 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 agreed to issue 298,000,000 warrants (the “**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, 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 2023. The Warrants expired on 18 September 2023.

## **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 2023 and the 72,000,000 share options lapsed on 3 May 2023.

## **Net liabilities**

As at 31 December 2023, net current liabilities of the Group amounted to approximately RMB155.6 million (as at 31 December 2022: approximately RMB119.0 million). As at 31 December 2023, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 0.48 (as at 31 December 2022: approximately 0.56).

As at 31 December 2023, total assets of the Group amounted to approximately RMB149.5 million (as at 31 December 2022: approximately RMB154.4 million) and total liabilities amounted to approximately RMB302.9 million (as at 31 December 2022: approximately RMB270.2 million). The debt ratio (being total liabilities divided by total assets) as at 31 December 2023 was 2.03 as compared to 1.75 as at 31 December 2022.

## **Borrowings**

As at 31 December 2023, the Group had total borrowings (which consisted of convertible bonds and loans from an equity shareholder of the Company) of approximately RMB165.8 million (as at 31 December 2022: approximately RMB140.6 million). The gearing ratio (being total borrowings divided by total equity) as at 31 December 2023 was approximately -1.08 (as at 31 December 2022: approximately -1.21).

## **Trade and other receivables**

The trade and other receivables of the Group as at 31 December 2023 were approximately RMB120.3 million (as at 31 December 2022: approximately RMB114.8 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 2023 was approximately RMB0.1 million (as at 31 December 2022: approximately RMB0.2 million). The Changyou Alliance business requires minimal inventory level.

## **Trade and other payables**

The trade and other payables of the Group as at 31 December 2023 were approximately RMB134.1 million (as at 31 December 2022: approximately RMB124.5 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 2023, the Group did not have pledged assets (as at 31 December 2022: Nil).

## **Contingent liabilities**

As at 31 December 2023, the Group had no significant contingent liabilities (as at 31 December 2022: Nil).

## **Capital commitment**

As at 31 December 2023, the Group had no contracted capital commitments which were not provided in the financial statements (as at 31 December 2022: Nil).

## **Employees and remuneration policy**

As at 31 December 2023, the Group had 61 employees (as at 31 December 2022: 48 employees). For the year ended 31 December 2023, total staff costs were approximately RMB25.7 million (2022: approximately RMB27.2 million). During the year ended 31 December 2023, 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 of the Group are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. The Group has entered into facility agreements denominated in HKD. During the year ended 31 December 2023, 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**

There were no significant investments held nor material acquisitions or disposals of subsidiaries during the year ended 31 December 2023. There was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

## **PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER**

On 28 July 2022, CIH and Poly Platinum Enterprises Limited (“**Poly Platinum**”) agreed to vary the terms of the exchangeable bonds issued by CIH on 18 April 2019 (“**Exchangeable Bonds**”), which are exchangeable into the ordinary shares of the Company (“**Shares**”). CIH charged to Poly Platinum its interest in the 2020 Convertible Bonds issued by the Company in favour of CIH on 19 October 2020, which are convertible into Shares. The underlying Shares of the 2020 Convertible Bonds are 300,000,000 Shares, currently owned by CIH. The 2020 Convertible Bonds matured on 19 October 2023.

On 25 January 2024, CIH and Poly Platinum agreed to, among the others, extend the maturity date of the Exchangeable Bonds. On 25 January 2024, CIH charged to Poly Platinum its interest in 60,000,000 Shares. Additionally, subject to the issuance of the 2024 Convertible Bonds, CIH will charge its interest in the 2024 Convertible Bonds to Poly Platinum. The underlying Shares of the 2024 Convertible Bonds are 300,000,000 Shares.

## **DIVIDEND**

The Board does not recommend payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

## **PROSPECTS**

The Changyou Platform is a global digital asset circulation platform for the issuance, circulation, payment and settlement of tokenised assets and serves as the gate point for points redemption. Leveraging the smart business environment, the Group takes full advantage of the channel and customer resources of the Changyou Platform to gain insights into the intrinsic needs of enterprises, and build and operate alliance platforms to achieve network synergy and create a win-win situation.

In 2024, the primary objective of the Group's SaaS point business is to remain stable. On such basis, the Group is focusing on expanding its small-value, high-frequency scenarios that are more conducive for points redemption. This strategy aims to enhance the user experience and increase opportunities for repeat purchases and user reach. The Group will strive to obtain more point sources from different industries, implement universal redemption, revitalise various types of bonus points, and strengthen the positioning of the alliance of bonus points from different industries. The Group will further optimise its SaaS point products, from basic bonus point redemption and advertisement exposure to vertical in-depth cooperation with business scenes, and improve the combination of platform promotion and scene flow. In 2024 the promotion of the Group's business will rely on the traffic of its integrated SaaS point business and the fostering of greater cooperation with other industries to promote the innovative products of the Changyou Platform and further consolidate its foundation and user experience. The introduction of artificial intelligent customer service and the creation of a money-saving assistant in Changyou Life, will on the one hand allow users to experience the use of the big model of artificial intelligence, and on the other hand, allow the Group to deliver differentiated customer service, and also provide the technical capability for the conversion and retention of users. At the same time, the Group will increase the number of extension platforms for the Changyou private domain and explore the interaction and integration between such other platforms and the Changyou ecosystem. This will help to overcome the Changyou Platform's current limitation of reading its growing users through a single platform. The Group will continue to build the infrastructure of its open platform and adhere to the principle of mutually beneficial and win-win cooperation with the goal centred around enhancing platform stickiness and realising multi-dimensional revenue. In addition to in-depth cooperations with commercialised scenarios, the Group will continue to strengthen marketing connections with banks, payment institutions and insurance companies, and make use of the resources of the scenarios to support the acquisition of customers and activities of financial institutions, thereby increasing the Company's revenues.

Looking ahead, by gradually expanding the scope of cooperation to a global level, and progressively developing international businesses with international industry leaders, the Group aims to capture a richer and more diversified source of points, increase the number of users and expand the range of products, services and types of business, as well as more consumption scenarios.

## **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 from time to time to ensure that the Group is led by an effective Board in order to optimise returns for the shareholders of the Company. During the year ended 31 December 2023, the Company has applied the principles of and has complied with all code provisions as set forth in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 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 C.1.6**

Code Provision C.1.6 of the CG Code provides that independent non-executive Directors and non-executive Directors should generally attend general meetings of the Company. Mr. Chan Chi Keung, Alan and Mr. Liu Jialin were not able to attend the annual general meeting of the Company held on 30 June 2023 due to their other commitments. Mr. Chan Chi Keung, Alan was not able to attend the extraordinary general meeting of the Company held on 31 October 2023 due to his other commitments.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 21 June 2024. 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, 18 June 2024 to Friday, 21 June 2024, 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, 21 June 2024, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 June 2024.

## **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 2023.

## **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 C3 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 2023.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023, 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 2023:

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 2023 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 RMB38,616,000 during the year ended 31 December 2023, and had net current liabilities and net liabilities of RMB155,601,000 and RMB153,319,000, respectively, as at 31 December 2023. 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, these events or conditions, along with other matters set forth in Note 2, 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 2023 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, 27 March 2024

*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. Ip Wai Lun, William and Mr. Chan Chi Keung, Alan.*