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 2022

HIGHLIGHTS

- Revenue of the Group increased to approximately RMB215.0 million for the year ended 31 December 2022 (2021: approximately RMB114.2 million), representing an increase of approximately 88.3% as compared to 2021.

- Gross profit of the Company increased to approximately RMB28.3 million for the year ended 31 December 2022 (2021: approximately RMB12.7 million), representing an increase of approximately RMB15.6 million during the period.

- The total transaction volume from the Changyou Alliance business increased to approximately RMB236.0 million for the year ended 31 December 2022 (2021: approximately RMB157.3 million).

- Net loss attributable to equity shareholders of the Company amounted to approximately RMB34.7 million for the year ended 31 December 2022 (2021: approximately RMB49.5 million).

- Basic and diluted loss per share for the year ended 31 December 2022 amounted to approximately RMB1.92 cents (2021: approximately RMB2.73 cents).

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2022
(Expressed in Renminbi ("RMB"))

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	4	**215,038**	114,211
Cost of sales		**(186,766)**	(101,538)
Gross profit		**28,272**	12,673
Other (expenses)/income	5	**(84)**	565
Selling and distribution expenses		**(6,076)**	(24,220)
Administrative expenses		**(32,174)**	(51,939)
Research and development costs		**(12,554)**	(38,978)
Impairment gain/(loss) on trade and other receivables		**7,274**	(909)
Impairment loss on right-of-use assets		**–**	(888)
Loss from operations		**(15,342)**	(103,696)
Gain on disposal of a subsidiary		**208**	–
Finance costs	6(a)	**(33,282)**	(20,429)
Loss arising from changes in fair value on trading securities		**(326)**	(738)
Loss before taxation	6	**(48,742)**	(124,863)
Income tax	7	**–**	–
Loss for the year		**(48,742)**	(124,863)
Attributable to:			
Equity shareholders of the Company		**(34,725)**	(49,467)
Non-controlling interests		**(14,017)**	(75,396)
Loss for the year		**(48,742)**	(124,863)
Loss per share			
Basic and diluted (RMB cent)	8	**(1.92)**	(2.73)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022
(Expressed in RMB)

	2022	2021
	RMB'000	*RMB'000*
Loss for the year	**(48,742)**	(124,863)
Other comprehensive income for the year (after tax):		
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	**(4,834)**	(982)
Total comprehensive income for the year	**(53,576)**	(125,845)
Attributable to:		
Equity shareholders of the Company	**(39,559)**	(50,449)
Non-controlling interests	**(14,017)**	(75,396)
Total comprehensive income for the year	**(53,576)**	(125,845)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

(Expressed in RMB)

	Note	**At 31 December 2022** *RMB'000*	At 31 December 2021 *RMB'000*
Non-current assets			
Property and equipment		**5,836**	4,889
Intangible assets		**–**	–
		5,836	4,889
Current assets			
Trading securities		**655**	910
Inventories		**163**	633
Trade and other receivables	*9*	**114,778**	134,154
Cash and cash equivalents		**32,974**	50,426
		148,570	186,123
Current liabilities			
Trade and other payables	*10*	**124,517**	137,308
Lease liabilities	*12*	**2,403**	2,792
Convertible bonds	*11*	**90,535**	–
Loans from an equity shareholder of the Company	*13*	**50,095**	–
		267,550	140,100
Net current (liabilities)/assets		**(118,980)**	46,023
Total assets less current liabilities		**(113,144)**	50,912
Non-current liabilities			
Convertible bonds	*11*	**–**	63,284
Lease liabilities	*12*	**2,660**	788
Loans from an equity shareholder of the Company	*13*	**–**	49,056
		2,660	113,128
NET LIABILITIES		**(115,804)**	(62,216)

	Note	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
CAPITAL AND RESERVES	*17*		
Share capital		**117,812**	117,812
Reserves		**153,739**	193,310
Total equity attributable to equity shareholders of the Company		**271,551**	311,122
Non-controlling interests		**(387,355)**	(373,338)
TOTAL EQUITY-DEFICIT		**(115,804)**	(62,216)

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 2022.

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 2022 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 2022, the Group had net loss of RMB48,742,000 and net cash used in operating activities of RMB7,007,000. As at 31 December 2022, the Group had net current liabilities and net liabilities of RMB118,980,000 and RMB115,804,000, 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 directors of the Company have identified various initiatives to address the Group's liquidity needs, which include the following:

- 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 requires, including but not limited to:

  (i) provision of the drawdown of the Group's unused loan facilities with Century Investment of HK$54,920,000 (equivalent to approximately RMB49,058,000), which will expire in December 2023 and require repayment by then (see Note 13 and item (ii) below); and/or

  (ii) extension of the repayment dates of the convertible bonds issued to and loan facilities from Century Investment (see Notes 11 and 13) as the convertible bonds and loan facilities will expire in October and December 2023 respectively.

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 amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- *Annual Improvements to HKFRSs 2018-2020*
- *Amendments to HKFRS 3, Reference to the Conceptual Framework*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15 disaggregated by major products or service lines and by timing of revenue recognition		
Revenue from facilitation of digital point business through operation of an electronic platform and other trading business:		
– Point in time	**214,220**	111,391
– Over time	**818**	2,820
	215,038	114,211

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 2022 (2021: no customer with whom transactions exceeded 10%).

(b) Geographic information

All of the Group's revenue for the years ended 31 December 2022 and 2021 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 (EXPENSES)/INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest income	**77**	56
Net loss on disposal of property and equipment	**(1)**	(93)
Penalty for early termination of a lease contract	**(875)**	–
Others	**715**	602
	(84)	565

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2022	2021
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	**315**	576
Finance charges on convertible bonds *(Note 11)*	**24,359**	18,113
Interest expenses on loans from an equity shareholder of the Company *(Note 13)*	**3,331**	2,947
	28,005	21,636
Net foreign exchange loss/(gain)	**5,277**	(1,207)
	33,282	20,429

No borrowing costs have been capitalised for the year ended 31 December 2022 (2021: RMBNil).

(b) Staff costs:

	2022 *RMB'000*	2021 *RMB'000*
Salaries, wages and other benefits	**23,552**	66,667
Termination benefits *(Note (i))*	**1,650**	7,960
Contributions to defined contribution retirement plans *(Note (ii))*	**2,039**	6,352
	27,241	80,979

Notes:

(i) In a view to further streamline the Group's business operations, the Group paid certain termination benefits to reduce its workforce in 2022 and 2021.

(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% (2021: 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:

	2022 *RMB'000*	2021 *RMB'000*
Depreciation expenses		
– owned property and equipment	**651**	1,479
– right-of-use assets	**2,536**	7,779
	3,187	9,258
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	**2,268**	2,507
Auditor's remuneration-audit services	**1,950**	2,350
Cost of inventories	**186,766**	101,538

7 INCOME TAX

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

	2022	2021
	RMB'000	*RMB'000*
Current and deferred taxation	**–**	–

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

	2022	2021
	RMB'000	*RMB'000*
Loss before taxation	**(48,742)**	(124,863)
Expected tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**(3,783)**	(25,645)
Tax effect of non-deductible expenses	**5,646**	5,963
Tax effect of unused tax losses and deductible temporary differences not recognised	**(1,863)**	19,682
Income tax	**–**	–

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 2022 (2021: 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 2022 (2021: 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 2022 (2021: 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 2022 (2021: 25%).

8 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share for the year ended 31 December 2022 is calculated based on the loss attributable to the equity shareholders of the Company of RMB34,725,000 (2021: RMB49,467,000) and the weighted average of 1,810,953,000 ordinary shares (2021: 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 2022 and 2021.

9 TRADE AND OTHER RECEIVABLES

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade receivables	**5,571**	19,795
Less: loss allowance	**(141)**	(1,642)
	5,430	18,153
Other receivables:		
– Loans to third parties	**9,210**	25,878
– Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder *(Note (i))*	**100,000**	100,000
– Others	**1,702**	8,818
	110,912	134,696
Less: loss allowance	**(9,247)**	(30,640)
	101,665	104,056
Financial assets measured at amortised cost	**107,095**	122,209
Prepayments and deposits	**7,683**	11,945
	114,778	134,154

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 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:

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Within 3 months	**5,408**	15,307
Over 3 months but within 6 months	**14**	2,462
Over 6 months	**8**	384
	5,430	18,153

10 TRADE AND OTHER PAYABLES

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Trade payables	**9,440**	18,255
Payables for staff related costs	**1,153**	3,812
Payables for miscellaneous taxes	**42**	164
Payables for selling expenses incurred for digital point business	**80**	66
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	**4,496**	1,823
Others	**5,765**	7,002
	111,536	112,867
Financial liabilities measured at amortised cost	**120,976**	131,122
Deposits received from business partners in connection with the digital point business	**431**	1,494
Contract liabilities	**3,110**	4,692
	124,517	137,308

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:

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 3 months	**7,918**	16,893
3 to 6 months	**949**	563
Over 6 months	**573**	799
	9,440	18,255

11 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

	Liability components *RMB'000*
At 1 January 2021	50,489
Accrued finance charges for the year *(Note 6(a))*	18,113
Interest paid	(3,674)
Exchange adjustments	(1,644)
At 31 December 2021 and 1 January 2022	63,284
Accrued finance charges for the year *(Note 6(a))*	24,359
Interest paid or payable	(3,789)
Exchange adjustments	6,681
At 31 December 2022	90,535

	At 31 December 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Represented by:		
– current liabilities	**90,535**	–
– non-current liabilities	**–**	63,284

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 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 2022, the lease liabilities were repayable as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**2,403**	2,792
After 1 year but within 2 years	**1,574**	788
After 2 years but within 5 years	**1,086**	–
	2,660	788
	5,063	3,580

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 2022, the outstanding principal of loans drawn under the Facility Agreements is HK$56,080,000 (equivalent to approximately RMB50,095,000) (2021: HK$60,000,000 (equivalent to approximately RMB49,056,000)).

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	72,000,000	No vesting condition	4.74 years

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

	2022		2021	
	Weighted average exercise price *HK$*	**Number of share options**	Weighted average exercise price *HK$*	Number of share options
Outstanding at the beginning and the end of the year	**1.21**	**72,000,000**	1.21	72,000,000
Exercisable at the end of the year	**1.21**	**72,000,000**	1.21	72,000,000

The share options outstanding at 31 December 2022 had an exercise price of HK$1.21 (2021: HK$1.21) and remaining contractual life of 0.3 years (2021: 1.3 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 RMB558,087,000 at 31 December 2022 (2021: RMB621,421,000), 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 2022 will expire on or before 31 December 2032.

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 2022 (2021: 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 2021 (2020: RMBNil).

17 SHARE CAPITAL

(i) Issued share capital

	2022		2021	
	No. of shares		No. of shares	
	'000	***USD'000***	*'000*	*USD'000*
Authorised:				
Ordinary shares of USD0.01 each	**5,000,000**	**50,000**	5,000,000	50,000

	2021		2020	
	No. of shares		No. of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
Ordinary shares of USD0.01 each, issued and fully paid:				
At 1 January and 31 December	**1,810,953**	**117,812**	1,810,953	117,812

(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 2022, no warrant was exercised (2021: Nil).

18 DISPOSAL OF A SUBSIDIARY

Pursuant to the equity transfer agreement entered into between the Company's subsidiary Century Network Holding Limited and GTE Fin Group Limited ("GTE"), the Group disposed of its 100% equity interests in Fortunet Holding Limited ("FHL") to GTE in November 2022 for a cash consideration of HK$1,000. The carrying value of the net liabilities of FHL disposed of amounted to RMB207,000. The resulting surplus represented by the consideration received over the carrying value of the net liabilities disposed of, was accounted as gain on disposal of a subsidiary.

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 2022, the total number of registered users on the Changyou Platform was approximately 150.2 million, representing an increase of approximately 53.5 million registered users compared to the total number as at 31 December 2021. For the year ended 31 December 2022 (the "**Reporting Period**"), the total transaction volume of the Changyou Alliance business amounted to approximately RMB236.0 million, representing an increase of approximately RMB78.7 million (approximately 50.0%) over the same period last year.

The improvement in the results of the Group for the Reporting Period was achieved by (i) eliminating businesses which are unprofitable and cost-ineffective in the short term, and optimising the relevant staff and operating costs; (ii) rapidly 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 (iii) optimising its supplier structure and combining high-frequency rigid services and products with high profit margin.

In 2022, building on the merchant ecosystem developed in 2021, 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. The challenges from the multiple outbreaks of the COVID-19 pandemic in the PRC in 2022 has laid a solid foundation for fulfilling the tasks of the year.

SaaS digital points service

During the Reporting Period, the Group updated 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 allows for quick access to small and micro merchants and franchisees and reduces 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. 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, by using its existing cooperation with China Mobile. The Group 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 re-optimised 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 started to build the Changyou community, gradually inviting 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 to promote 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 attract new users of bank credit cards, to diversify its source of profit growth.

Corporate Services

The Group provides marketing services for banks, insurance companies and UnionPay through the business ecosystem connected 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 accomplish O2O on-site services. The Group also empowered merchants through the SaaS digital points services from the Changyou Platform, helping merchants to boost transactions from users, thereby increasing their revenue and profits. The Group had collaborated with a number of mainstream platforms of industry verticals.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB215.0 million (2021: approximately RMB114.2 million), representing an increase of approximately 88.3% as compared to 2021. During the year ended 31 December 2022, the Group rapidly 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 resource.

Gross profit

The gross profit of the Group for the year ended 31 December 2022 amounted to approximately RMB28.3 million (2021: approximately RMB12.7 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 2022 was eventually increased to approximately 13.1% (2021: approximately 11.1%).

Other (expenses)/income

The other expenses of the Group for the year ended 31 December 2022 was approximately RMB0.1 million (2021: other income of approximately RMB0.6 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 gain/(loss) of trade and other receivables

The impairment gain of the Group for the year ended 31 December 2022 was approximately RMB7.3 million, which mainly represents recoveries of other receivables during the year ended 31 December 2022 (2021: impairment loss of trade and other receivables of approximately RMB0.9 million).

Selling and distribution expenses

The selling and distribution expenses of the Group for the year ended 31 December 2022 decreased to approximately RMB6.1 million (2021: approximately RMB24.2 million). The decrease was mainly attributable to reduced sales and promotion activities for the Changyou Platform during the year ended 31 December 2022.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2022 decreased to approximately RMB32.2 million (2021: approximately RMB51.9 million). The decrease was mainly attributable to the implementation of certain cost saving measures by the Group, including staff layoff, since the fourth quarter of 2021.

Research and development costs

Research and development costs of the Group for the year ended 31 December 2022 decreased to approximately RMB12.6 million (2021: approximately RMB39.0 million). The decrease was mainly attributable to the decrease in staff costs for research and development activities during the year ended 31 December 2022.

Finance costs

The Group incurred finance costs of approximately RMB33.3 million for the year ended 31 December 2022 (2021: approximately RMB20.4 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 2022 and 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, cash and cash equivalents of the Group were approximately RMB33.0 million (as at 31 December 2021: approximately RMB50.4 million). As compared to 2021, cash and cash equivalents decreased by approximately RMB17.4 million, mainly due to net cash outflow arising from operating activities of approximately RMB7.0 million (2021: approximately RMB103.4 million), net cash outflow arising from investing activities of approximately RMB0.5 million (2021: net cash outflow of approximately RMB0.5 million) and net cash outflow from financing activities of approximately RMB11.1 million (2021: net cash inflow from financing activities of approximately RMB3.8 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 business operations of Changyou Alliance and the Changyou Platform (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 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 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.

As at 31 December 2022, 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 behaviour	25.0	(22.0)	3.0	0.8	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	1.5	31 December 2023
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	0.1	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
	HK$ (million)	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*	
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
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	124.4	–	124.4	111.8	

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 ("**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 2022. 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 2022.

Deemed disposal of equity interest in a subsidiary

On 29 July 2020, Pointsea Company Limited ("**PCL**"), an indirect non-wholly owned subsidiary of the Company, 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 were intended to be utilised for, among other things, the development and expansion of the Digital Points 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 approximately US$593 million. As the conditions precedent to the 2020 Subscription have not been fully satisfied or waived by PCL or New Investor (where applicable and as the case may be) by the long stop date (being 30 June 2022), the 2020 Subscription had automatically terminated on 1 July 2022. For further details of the 2020 Subscription, please refer to the announcements of the Company dated 29 July 2020, 30 June 2021, 31 December 2021 and 4 July 2022 and the circular of the Company dated 22 September 2020.

Disposal of equity interest in a subsidiary

On 9 November 2022, Century Network Holding Limited ("**CNH**"), a non-wholly owned subsidiary of the Company, entered into a share purchase agreement with GTE Fin Group Limited (the "**Purchaser**"), pursuant to which, among other things, CNH agreed to dispose 100% equity interests in Fortunet Holding Limited ("**FHL**") to the Purchaser at a cash consideration of HK$1,000.

Net liabilities

As at 31 December 2022, net current liabilities of the Group amounted to approximately RMB119.0 million (as at 31 December 2021: net current assets of approximately RMB46.0 million). As at 31 December 2022, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 0.56 (as at 31 December 2021: approximately 1.33).

As at 31 December 2022, total assets of the Group amounted to approximately RMB154.4 million (as at 31 December 2021: approximately RMB191.0 million) and total liabilities amounted to approximately RMB270.2 million (31 December 2021: approximately RMB253.2 million). The debt ratio (being total liabilities divided by total assets) as at 31 December 2022 was 1.75 as compared to 1.33 as at 31 December 2021.

Borrowings

As at 31 December 2022, the Group had total borrowings (which consisted of convertible bonds and loans from an equity shareholder of the Company) of approximately RMB140.6 million (as at 31 December 2021: approximately RMB112.3 million). The gearing ratio (being total borrowings divided by total equity) as at 31 December 2022 was approximately -1.21 (as at 31 December 2021: approximately -1.81).

Trade and other receivables

The trade and other receivables of the Group as at 31 December 2022 were approximately RMB114.8 million (as at 31 December 2021: approximately RMB134.2 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 2022 was approximately RMB0.2 million (as at 31 December 2021: approximately RMB0.6 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 2022 were approximately RMB124.5 million (as at 31 December 2021: approximately RMB137.3 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 2022, the Group did not have pledged assets (as at 31 December 2021: Nil).

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities (as at 31 December 2021: Nil).

Capital commitment

As at 31 December 2022, the Group had no contracted capital commitments which were not provided in the financial statements (as at 31 December 2021: Nil).

Employees and remuneration policy

As at 31 December 2022, the Group had 48 employees (as at 31 December 2021: 71 employees). For the year ended 31 December 2022, total staff costs were approximately RMB27.2 million (2021: approximately RMB81.0 million). During the year ended 31 December 2022, 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 2022, the Group's net foreign currency liabilities amounted to approximately RMB39.9 million (as at 31 December 2021: net foreign currency assets approximately RMB22 million). During the year ended 31 December 2022, 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 and the disposal of equity interest in FHL as disclosed in this announcement, there were no significant investments held nor material acquisitions or disposals of subsidiaries during the year ended 31 December 2022. 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.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2022 (2021: 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 on 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 2023, the Group will continue to promote and improve its existing businesses by (i) continuing to optimise and improve the operation level and profitability of its existing 2C points business to achieve steady growth in business profitability based on the existing scale of the business; (ii) with a focus on the platform's existing travel and car owner demographic, enhancing its service capabilities and user activities from the perspective of the supply chain, products and operations, and achieve a certain level of business revenue, laying the foundation for rapid development in the next two years; and (iii) through fully utilising the platform's resources and core strength, based on the points business ecology and leveraging on the innovative products and service capabilities of Changyou Points Marketing SaaS Platform, offering corporate customer-oriented products and services to SMEs/merchants, as well as providing marketing channels and marketing planning support to corporate customers. The Group will use comprehensive data and consumption scenarios to conduct effective marketing activities and will combine users' attributes and transaction data to accurately target the characteristics and requirements of platform 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. As a result, the development of the New International Changyou Platform was delayed. In 2022, the management of the Company has initiated discussions with CIH, a substantial shareholder of the Company, to establish 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 required to launch the New International Changyou Platform in 2023. The Group will focus more and commit more time and resources on the development of the New International Changyou Platform in 2023.

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 2022, 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 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 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. Mrs. Guo Yan and Mr. Liu Jialin were not able to attend the annual general meeting of the Company held on 24 June 2022 and the extraordinary general meeting of the Company held on 31 October 2022 due to their other engagement in other commitments.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 30 June 2023. 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, 27 June 2023 to Friday, 30 June 2023, 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, 30 June 2023, 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, 26 June 2023.

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 2022.

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 2022.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022, 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 2022:

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 2022 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 RMB48,742,000 and net operating cash outflows of RMB7,007,000 during the year ended 31 December 2022. As at 31 December 2022, the Group had net current liabilities and net liabilities of RMB118,980,000 and RMB115,804,000, respectively. 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 and the website of the Company at www.changyou-alliance.com. The annual report of the Company for the year ended 31 December 2022 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 2023

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.