

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by approximately 171.0% to approximately RMB105.4 million for the six months ended 30 June 2022 (30 June 2021: approximately RMB38.9 million).
- The GMV of Changyou Alliance business amounted to approximately RMB118.7 million for the six months ended 30 June 2022 (30 June 2021: approximately RMB60.1 million), representing an increase of approximately 97.5%.
- Gross profit for the six months ended 30 June 2022 amounted to approximately RMB15.4 million (30 June 2021: approximately RMB4.9 million).
- The Group recorded a loss of approximately RMB22.7 million for the six months ended 30 June 2022 (30 June 2021: approximately RMB60.3 million).
- Basic and diluted loss per share amounted to RMB0.85 cent for the six months ended 30 June 2022 (30 June 2021: RMB1.36 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Changyou Alliance Group Limited (the “**Company**”) presents herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022. The interim financial information have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 - unaudited

(Expressed in Renminbi (“**RMB**”))

	Note	Six months ended 30 June	
		2022 RMB’000	2021 RMB’000
Revenue	4	105,446	38,852
Cost of sales		(90,005)	(33,994)
Gross profit		15,441	4,858
Other income	5	412	355
Selling and distribution expenses		(2,980)	(10,463)
Administrative expenses		(14,663)	(26,800)
Research and development costs		(6,152)	(17,816)
Impairment gain/(loss) of trade and other receivables		330	(42)
Loss from operations		(7,612)	(49,908)
Finance costs	6(a)	(14,910)	(9,799)
Loss arising from changes in fair value on held-for-trading investments		(180)	(561)
Loss before taxation	6	(22,702)	(60,268)
Income tax	7	–	–
Loss for the period		(22,702)	(60,268)
Attributable to:			
Equity shareholders of the Company		(15,393)	(24,645)
Non-controlling interests		(7,309)	(35,623)
Loss for the period		(22,702)	(60,268)
Loss per share			
Basic and diluted (RMB cent)	8	(0.85)	(1.36)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Loss for the period	(22,702)	(60,268)
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into the Group's presentation currency	<u>(2,512)</u>	<u>(1,148)</u>
Total comprehensive income for the period	<u>(25,214)</u>	<u>(61,416)</u>
Attributable to:		
Equity shareholders of the Company	(17,905)	(25,793)
Non-controlling interests	<u>(7,309)</u>	<u>(35,623)</u>
Total comprehensive income for the period	<u>(25,214)</u>	<u>(61,416)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in RMB)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property and equipment	9	3,384	4,889
Intangible assets		–	–
Goodwill		–	–
		<u>3,384</u>	<u>4,889</u>
Current assets			
Held-for-trading investments		766	910
Inventories		583	633
Trade and other receivables	10	120,756	134,154
Cash and cash equivalents	11	43,290	50,426
		<u>165,395</u>	<u>186,123</u>
Current liabilities			
Trade and other payables	12	127,246	137,308
Lease liabilities		1,945	2,792
		<u>129,191</u>	<u>140,100</u>
Net current assets		<u>36,204</u>	<u>46,023</u>
Total assets less current liabilities		<u>39,588</u>	<u>50,912</u>
Non-current liabilities			
Convertible bonds	13	75,526	63,284
Lease liabilities		181	788
Loans from an equity shareholder of the Company	14	51,311	49,056
		<u>127,018</u>	<u>113,128</u>
NET LIABILITIES		<u>(87,430)</u>	<u>(62,216)</u>
CAPITAL AND RESERVES			
Share capital	15	117,812	117,812
Reserves		175,405	193,310
Total equity attributable to equity shareholders of the Company		<u>293,217</u>	<u>311,122</u>
Non-controlling interests		<u>(380,647)</u>	<u>(373,338)</u>
TOTAL EQUITY-DEFICIT		<u>(87,430)</u>	<u>(62,216)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity/ (Total equity – deficit)
	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	117,812	1,263,789	78,635	1,453	40,778	(1,141,392)	361,075	(298,814)	62,261
Changes in equity for the six months ended 30 June 2021:									
Loss for the period	-	-	-	-	-	(24,645)	(24,645)	(35,623)	(60,268)
Other comprehensive income	-	-	-	(1,148)	-	-	(1,148)	-	(1,148)
Total comprehensive income	-	-	-	(1,148)	-	(24,645)	(25,793)	(35,623)	(61,416)
Balance at 30 June 2021 and 1 July 2021	117,812	1,263,789	78,635	305	40,778	(1,166,037)	335,282	(334,437)	845
Changes in equity for the six months ended 31 December 2021:									
Loss for the period	-	-	-	-	-	(24,822)	(24,822)	(39,773)	(64,595)
Other comprehensive income	-	-	-	166	-	-	166	-	166
Total comprehensive income	-	-	-	166	-	(24,822)	(24,656)	(39,773)	(64,429)
Contributions arising from the waiver of interest expenses	-	-	-	-	205	-	205	872	1,077
Effect on equity arising from the disposal of a subsidiary under common control	-	-	-	-	291	-	291	-	291
	-	-	-	-	496	-	496	872	1,368
Balance at 31 December 2021	117,812	1,263,789	78,635	471	41,274	(1,190,859)	311,122	(373,338)	(62,216)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited (continued)

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity/ (Total equity-deficit)
	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2022	117,812	1,263,789	78,635	471	41,274	(1,190,859)	311,122	(373,338)	(62,216)
Changes in equity for the six months ended 30 June 2022:									
Loss for the period	-	-	-	-	-	(15,393)	(15,393)	(7,309)	(22,702)
Other comprehensive income	-	-	-	(2,512)	-	-	(2,512)	-	(2,512)
Total comprehensive income	-	-	-	(2,512)	-	(15,393)	(17,905)	(7,309)	(25,214)
Balance at 30 June 2022	117,812	1,263,789	78,635	(2,041)	41,274	(1,206,252)	293,217	(380,647)	(87,430)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Operating activities			
Cash used in operations		(1,104)	(54,301)
Income tax paid		–	–
		<hr/>	<hr/>
Net cash used in operating activities		(1,104)	(54,301)
		<hr/>	<hr/>
Investing activities			
Payments for purchase of property and equipment		(139)	(27)
Interest received		29	25
		<hr/>	<hr/>
Net cash used in investing activities		(110)	(2)
		<hr/>	<hr/>
Financing activities			
Loans from an equity shareholder of the Company		–	16,798
Capital element of lease rentals paid		(1,403)	(3,673)
Interest element of lease rentals paid		(132)	(431)
Finance costs paid		(4,419)	(1,852)
		<hr/>	<hr/>
Net cash (used in)/generated from financing activities		(5,954)	10,842
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(7,168)	(43,461)
Cash and cash equivalents at 1 January	<i>11</i>	50,426	152,273
Effect of foreign exchange rate changes		32	(1,456)
		<hr/>	<hr/>
Cash and cash equivalents at 30 June	<i>11</i>	43,290	107,356
		<hr/> <hr/>	<hr/> <hr/>

Notes

(Expressed in RMB unless otherwise indicated)

1 Corporate information

Changyou Alliance Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 21 May 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 24 September 2010. The condensed consolidated financial statements of the Company as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively referred to as the “**Group**”).

The principal activities of the Group are the development and operation of an electronic trading platform to promote and facilitate awards earned by customers of loyalty programmes of other companies to be exchanged globally in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions and other trading business.

2 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). It was authorised for issue on 30 August 2022.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial information as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

For the six months ended 30 June 2022, the Group had net loss of RMB22,702,000 and net cash used in operating activities of RMB1,104,000, and had net liabilities of RMB87,430,000 as at 30 June 2022. The Group will be unable to meet its liabilities in full when they fall due unless it is able to generate sufficient cash flows from future operations and/or other sources, since as at 30 June 2022, the Group only had cash and cash equivalents of RMB43,290,000. These events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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

- The Group continues to streamline its operations by deployment of the necessary resources to profitable business lines, including continuance in reduction of current workforce or increase in workforce only if profitable business opportunities arise;
- The Group commences discussion with its immediate and ultimate holding company, Century Investment (Holding) Limited ("**Century Investment**"), to provide the necessary financial support when requires, including but not limited to:
 - (i) provision of the drawdown of the Group's unused loan facilities with Century Investment of HK\$51,000,000 (equivalent to approximately RMB43,615,000) (see Note 14); and/or
 - (ii) extension of the repayment dates of the convertible bonds issued to and loans already drawn down from Century Investment (see Notes 13 and 14).

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the Directors 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 consider it is appropriate to prepare the condensed 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 condensed consolidated financial statements.

3 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- 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 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 in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

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

Disaggregation of revenue

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

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
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	104,565	37,449
– Over time	881	1,403
	<u>105,446</u>	<u>38,852</u>

5 Other income

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	29	25
Government grants	64	–
Net gain on disposal of property and equipment	1	–
Others	318	330
	<u>412</u>	<u>355</u>

6 Loss before taxation

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

(a) Finance costs:

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance charges on convertible bonds (<i>Note 13</i>)	10,896	8,447
Interest expenses on lease liabilities	132	431
Interest expenses on loans from an equity shareholder of the Company	1,603	1,319
	12,631	10,197
Net foreign exchange loss/(gain)	2,279	(398)
	14,910	9,799

(b) Staff costs:

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	11,265	34,849
Termination benefits	1,639	–
Contributions to defined contribution retirement plans	1,125	3,928
	14,029	38,777

(c) Other items:

	<u>Six months ended 30 June</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	90,005	33,994
Depreciation charge:		
– owned property and equipment	397	822
– right-of-use assets	1,200	3,591
Operating lease charges relating to short-term leases and leases of low-value assets	1,225	1,303

7 Income tax

	<u>Six months ended 30 June</u>	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current taxation	-	-
Deferred taxation	-	-
	<u>-</u>	<u>-</u>

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 six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%).

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.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%).

8 Loss per share

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2022 is calculated based on the loss attributable to equity shareholders of the Company of RMB15,393,000 (six months ended 30 June 2021: RMB24,645,000) and the weighted average number of ordinary shares of 1,810,953,000 (six months ended 30 June 2021: 1,810,953,000 ordinary shares) in issue during the six months ended 30 June 2022.

(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 are antidilutive during the six months ended 30 June 2022 and 2021.

9 Property and equipment

(a) Right-of-use assets

During the six months ended 30 June 2022, there was no addition to right-of-use assets (six months ended 30 June 2021: RMB2,912,000).

(b) Owned property and equipment

During the six months ended 30 June 2022, the Group acquired items of property and equipment with a cost of RMB139,000 (six months ended 30 June 2021: RMB27,000).

10 Trade and other receivables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables	12,840	19,795
Less: loss allowance	<u>(1,312)</u>	<u>(1,642)</u>
	<u>11,528</u>	<u>18,153</u>
Other receivables:		
– Loans to third parties	26,911	25,878
– Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder (<i>Note (i)</i>)	100,000	100,000
– Others	<u>5,110</u>	<u>8,818</u>
	132,021	134,696
Less: loss allowance	<u>(31,677)</u>	<u>(30,640)</u>
	<u>100,344</u>	<u>104,056</u>
Financial assets measured at amortised cost	111,872	122,209
Prepayments and deposits	<u>8,884</u>	<u>11,945</u>
	<u>120,756</u>	<u>134,154</u>

Trade receivables are generally due immediately from the date of billing. Normally, the Group does not obtain collateral from debtors.

Note:

- (i) During the year ended 31 December 2019, Pointsea Company Limited (“PCL”), an indirect non-wholly owned subsidiary of the Company, issued 28,036,564 new shares to one investor. Proceeds of RMB100,000,000 from the investor has not yet been received while the investor granted an advance of RMB100,000,000 to PCL (see Note 12) which is non-interest bearing and will mature upon receipt of the proceeds for shares issued to the investor by PCL.

10 Trade and other receivables (continued)

(a) 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 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 3 months	9,730	15,307
Over 3 months but within 6 months	1,600	2,462
Over 6 months	198	384
	<u>11,528</u>	<u>18,153</u>

11 Cash and cash equivalents

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Cash at bank and on hand	<u>43,290</u>	<u>50,426</u>

The Group's operations in the PRC (excluding Hong Kong) conduct their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

12 Trade and other payables

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payables	17,458	18,255
Payables for staff related costs	2,366	3,812
Payables for miscellaneous taxes	56	164
Payables for selling expenses incurred for digital point business	66	66
Advance from a non-controlling equity shareholder of a subsidiary (<i>Note 10(i)</i>)	100,000	100,000
Interest payable to an equity shareholder of the Company	825	1,823
Others	4,717	7,002
	<u>108,030</u>	<u>112,867</u>
Financial liabilities measured at amortised cost	125,488	131,122
Deposits received from business partners in connection with the digital point business	415	1,494
Receipts-in-advance received from customers	181	2,216
Deferred income	1,162	2,476
	<u>127,246</u>	<u>137,308</u>

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 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 3 months	14,235	16,893
3 to 6 months	2,113	563
Over 6 months	1,110	799
	<u>17,458</u>	<u>18,255</u>

13 Convertible bonds

The Group's convertible bonds are analysed as follows:

	Liability components <i>RMB'000</i>
At 1 January 2021	50,489
Accrued finance charges for the year	18,113
Interest paid	(3,674)
Exchange adjustments	<u>(1,644)</u>
At 31 December 2021 and 1 January 2022	63,284
Accrued finance charges for the period (<i>Note 6(a)</i>)	10,896
Interest paid	(1,786)
Exchange adjustments	<u>3,132</u>
At 30 June 2022	<u><u>75,526</u></u>

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

14 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 30 June 2022, the outstanding principal of loans drawn under the Facility Agreements is HK\$60,000,000 (equivalent to approximately RMB51,311,000) (31 December 2021: HK\$60,000,000 (equivalent to approximately RMB49,056,000)).

15 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

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

(b) 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.

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 and will mature on 3 May 2023. 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.

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

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at the beginning/end of the period/year	1.21	<u>72,000,000</u>	1.21	<u>72,000,000</u>
Exercisable at the end of the period/year	1.21	<u>72,000,000</u>	1.21	<u>72,000,000</u>

15 Capital, reserves and dividends (continued)

(c) 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 six months ended 30 June 2022, no warrant was exercised (six months ended 30 June 2021: Nil).

16 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value measurements at 30 June 2022 categorised into	Fair value measurements at 31 December 2021 categorised into
Level 1	Level 1
RMB’000	RMB’000

Recurring fair value measurement

Financial assets

– Held-for-trading investments

766	910
------------	------------

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2021: none). The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

16 Fair value measurement of financial instruments (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2022 and 31 December 2021.

17 Material related party transactions

In addition to the balances disclosed elsewhere in this interim financial information, the material related party transactions entered into by the Group during the interim period are set out below.

(a) Transactions with the equity shareholders of the Company

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest bearing loans received	–	16,798
Interest expenses	<u>1,603</u>	<u>1,319</u>

Details of the issuance of convertible bonds to an equity shareholder of the Company are set out in Note 13.

18 Impacts of Covid-19 pandemic

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Changyou Alliance Group Limited (the “**Company**” or “**Changyou**”) and its subsidiaries (collectively, the “**Group**”) have capitalised on their 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 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.

The Changyou Platform has undergone rapid development, with further increases of members and users, more diversified products and services, and optimised business models and consumption scenarios. As at 30 June 2022, the Changyou Platform’s total number of registered users was approximately 122.0 million, representing an increase of approximately 25.3 million newly registered users compared to the total number of registered users as at 31 December 2021.

In the first half of 2022, relying on the merchant ecosystem developed in 2021, the Changyou Platform optimized its products and strengthened its penetration into quality scenarios of Software as a Service (“**SaaS**”) digital points service, crowd targeted service and corporate services, prompting steady growth of the user size and continuous improvement in business revenue and operating profits on a year-on-year basis. After withstanding the difficulties arising from multiple outbreaks of the pandemic in the first half of the year, the foundation of completing the tasks of the whole year was laid.

For the six months ended 30 June 2022 (the “**Reporting Period**”), the Changyou Alliance business’s total transaction volume and revenue amounted to approximately RMB118.7 million and approximately RMB105.4 million, respectively.

SaaS digital points service

During the Reporting Period, the Group updated the processes and page functions of the standard SaaS digital points services, which can be modularized for different merchants, adapted to different industries for online and offline merchant access and connected to three main payment tools in the PRC without direct contact with merchants. It is suitable for having quick access to small and micro merchants and franchisees by decreasing the workload for reconciliation and settlement requirements.

The Group connected with traffic portals like games, entertainments and movie platforms online to expand the usage of user points, and get closer to offline users to expand more brands of retail chains and provide services to the community and general public, by using its existing cooperation with China Mobile. The Group also continuously made efforts on expanding its car ownership and travel service scenarios, increasing parking, car washing and connection with travel services such as bus and metro, which lays the foundation for the subsequent crowd targeted service.

By shortening the chain between reach scenario and merchants, the Group reduced the number of benefit sharing entities and enhanced the profitability of the Changyou Platform. During the Reporting Period, the Group optimized 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 business close loop.

Crowd Targeted Services

During the Reporting Period, the Group re-optimized the public accounts like 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 high-frequency used equity and high profit margin products to increase the overall repurchase and profitability of the platform.

The Group started to build the Changyou community and gradually invited target customers to join, and provided them with targeted services such as refueling offer and car washing for car owners to promote their retention and activity. In addition to products and equity sales, the Group relies on the Changyou private domain, explored advertising business, UnionPay and attracting new users of bank credit cards, to increase profit growth points.

Corporate Services

The Group provides marketing services for banks, insurance companies and UnionPay through the ecology connected by the Changyou Platform to achieve user attraction and activation. As for valet operation, the Group utilizes 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 empowers merchants through the SaaS digital points services from the Changyou Platform, which helps merchants to convert traffic users, initiate transactions and increase their revenue and profits. The Group already commenced collaboration with a number of vertical mainstream platforms.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB105.4 million (six months ended 30 June 2021: approximately RMB38.9 million), representing an increase of approximately 171.0% as compared with the corresponding period in 2021. During the six months ended 30 June 2022, the Group rapidly increased the operating income of existing businesses and accelerated the expansion of new businesses that are closely linked to existing platform resources, users and supply chain resource.

Gross profit

Gross profit for the six months ended 30 June 2022 amounted to approximately RMB15.4 million (six months ended 30 June 2021: approximately RMB4.9 million). Since 2021, the Company changed its business strategy to provide its products to customers with higher profit margins, the gross profit margin was increased to approximately 14.6% (six months ended 30 June 2021: approximately 12.5%).

Other income

Other income of the Group for the six months ended 30 June 2022 amounted to approximately RMB0.4 million (six months ended 30 June 2021: approximately RMB0.4 million). A detailed breakdown is disclosed in note 5 to the interim financial information as disclosed in this announcement.

Selling and distribution expenses

Selling and distribution expenses of the Group for the six months ended 30 June 2022 decreased to approximately RMB3.0 million (six months ended 30 June 2021: approximately RMB10.5 million), which was mainly attributable to the reduced sales and promotion activities for the Changyou Platform during the six months ended 30 June 2022.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2022 decreased to approximately RMB14.7 million, as compared to approximately RMB26.8 million for the corresponding period in 2021. 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 six months ended 30 June 2022 decreased to approximately RMB6.2 million (six months ended 30 June 2021: approximately RMB17.8 million), which was mainly attributable to the decrease in staff costs for research and development activities during the six months ended 30 June 2022.

Impairment gain/(loss) of trade and other receivables

Impairment gain of the Group for the six months ended 30 June 2022 was approximately RMB0.3 million, which mainly represents the recoveries of trade receivables during the six months ended 30 June 2022 (six months ended 30 June 2021: impairment loss of trade and other receivables of approximately RMB42,000).

Finance costs

The Group incurred finance costs of approximately RMB14.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB9.8 million). The finance costs mainly consist of the net effect of interest expense on convertible bonds and loans from an equity shareholder of the Company, interest expenses on lease liabilities and net foreign exchange loss, the details of which are disclosed in note 6(a) to the interim financial information as disclosed in this announcement.

Taxation

No income tax is provided for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, cash and cash equivalents of the Group amounted to approximately RMB43.3 million (as at 31 December 2021: approximately RMB50.4 million).

As compared with the position as at 31 December 2021, cash and cash equivalents decreased by approximately RMB7.1 million, resulting from the net cash outflow from operating activities of approximately RMB1.1 million for the six months ended 30 June 2022 (year ended 31 December 2021: approximately RMB103.4 million), the net cash outflow from investing activities of approximately RMB0.1 million for the six months ended 30 June 2022 (year ended 31 December 2021: approximately RMB0.5 million) and the net cash outflow from financing activities of approximately RMB5.9 million for the six months ended 30 June 2022 (year ended 31 December 2021: net cash inflow of approximately RMB3.8 million).

As at 30 June 2022, the net current assets of the Group amounted to approximately RMB36.2 million (as at 31 December 2021: approximately RMB46.0 million). As at 30 June 2022, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 1.28 (as at 31 December 2021: approximately 1.33).

As at 30 June 2022, the total assets of the Group amounted to approximately RMB168.8 million (as at 31 December 2021: approximately RMB191.0 million) and the total liabilities amounted to approximately RMB256.2 million (as at 31 December 2021: approximately RMB253.2 million). The debt ratio (being total liabilities divided by total assets) as at 30 June 2022 was approximately 1.52 as compared to approximately 1.33 as at 31 December 2021.

As at 30 June 2022, the Group had total borrowings (which consisted of convertible bonds) of approximately RMB126.8 million (as at 31 December 2021: approximately RMB112.3 million). The gearing ratio as at 30 June 2022 (being total borrowings divided by total equity) was -1.45 (as at 31 December 2021: approximately -1.81).

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 substantial shareholder of the Company. The net proceeds from the issuance of the 2020 Convertible Bonds was intended to be utilised to expand the Digital Points 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 for the issuance of the 2020 Convertible Bonds to CIH. The 2020 Convertible Bonds bear an interest rate of 3.5% per annum and will mature on the date falling three years after the first issue date of the 2020 Convertible Bonds. For further details of the transaction, please refer to the announcement of the Company dated 29 July 2020 and the circular of the Company dated 17 September 2020.

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

As at 30 June 2022, the actual uses of the net 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
	<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 behavior	25.0	(22.0)	3.0	–	31 December 2023
To fund the set up of a new team, comprising various departments such as information technology, marketing and general administration, which is to support the daily operations of the New International Changyou Platform	25.0	(15.0)	10.0	0.1	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	–	31 December 2023
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the existing Changyou Platform in the PRC (the "Existing PRC Changyou Platform")	–	10.0	10.0	10.0	31 December 2022

Usage	Original use of the net proceeds from the issuance of the 2020 Convertible Bonds as disclosed in the circular of the Company dated 17 September 2020	Proposed change in the allocation of the net proceeds from the issuance of the 2020 Convertible Bonds	Revised use of the net proceeds from the issuance of the 2020 Convertible Bonds	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds	Estimated timeline for utilitation of the net proceeds from the issuance of the 2020 Convertible Bonds after reallocation
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	
To fund 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	<u>124.4</u>	<u>–</u>	<u>124.4</u>	<u>109.5</u>	

Issue of Warrants

On 26 March 2018, the Company and CIH entered into a warrant subscription agreement, pursuant to which the Company shall issue 298,000,000 warrants (“**Warrants**”) to CIH at a subscription price of HK\$0.01 per Warrant. The Company received the subscription price of HK\$2,980,000. For further details of the transaction, please refer to the announcements of the Company dated 26 March 2018 and 27 June 2018, respectively, and the circular of the Company dated 5 July 2018. The Warrants were issued on 18 September 2018. The net proceeds from the issue of the Warrants (after deduction of relevant expenses) of approximately HK\$1,480,000 were 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 six months ended 30 June 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 of the Company. 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 six months ended 30 June 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.

Property and equipment

As at 30 June 2022, property and equipment were approximately RMB3.4 million (as at 31 December 2021: approximately RMB4.9 million). A detailed breakdown is disclosed in note 9 to the interim financial information as disclosed in this announcement.

Trade and other receivables

Trade and other receivables of the Group as at 30 June 2022 were approximately RMB120.8 million (as at 31 December 2021: approximately RMB134.2 million). A detailed breakdown is disclosed in note 10 to the interim financial information as disclosed in this announcement.

Trade and other payables

Trade and other payables of the Group as at 30 June 2022 were approximately RMB127.2 million (as at 31 December 2021: approximately RMB137.3 million). A detailed breakdown is disclosed in note 12 to the interim financial information as disclosed in this announcement.

Loans from an equity shareholder of the Company

In 2020, PCL and CIH entered into loan facility agreements (the “**Facility Agreements**”), pursuant to which CIH granted loan facilities of HK\$111,000,000 to PCL. The loans are unsecured, with an interest of 6.5% per annum and with a term of 3 years or such later date as may be agreed between PCL and CIH in writing. As at 30 June 2022, the outstanding principal of loans drawn under the Facility Agreements is HK\$60 million (as at 31 December 2021: HK\$60 million).

Pledged assets

As at 30 June 2022, the Group did not have any pledged assets (as at 31 December 2021: Nil).

Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (as at 31 December 2021: Nil).

Capital commitment

As at 30 June 2022, the Group had no contracted capital commitments which were not provided in the interim financial information (as at 31 December 2021: Nil).

Employees

As at 30 June 2022, the Group had 57 employees which are located in Beijing, Shanghai and Hong Kong. For the six months ended 30 June 2022, total staff costs were approximately RMB14.0 million. During the six months ended 30 June 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.

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 30 June 2022, the Group’s net foreign currency assets amounted to approximately RMB11.1 million (as at 31 December 2021: approximately RMB22.0 million). During the six months ended 30 June 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 PURCHASE OF CAPITAL ASSETS

Save as the deemed disposal of equity interest in PCL by the Company as disclosed in this announcement, there were no significant investments held nor material acquisitions or disposals of subsidiaries during the six months ended 30 June 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.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

PROSPECTS

The Changyou Platform is available for the issuance, circulation, payment and settlement of global assets which are able to be tokenised and serves as the gate point for point redemption. Leveraging on the smart business macro environment, the Group makes full use 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 win-win situation.

In the second half of the year, the Group will step up its efforts to promote and improve its existing businesses by (i) continuing to optimise and improve the operating 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 vehicle owner demographic, enhancing its service capabilities and user activities at the angle 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 competencies, based on the bonus 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 accurate marketing activities and will combine users' attributes and transaction data to accurately target the characteristics and requirements of platform users.

In terms of the Group's future business outlook, the Group has successfully shaken off the impact of the global pandemic on its businesses. By gradually expanding the scope of cooperation to 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 organization 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 the Group is led by an effective Board in order to optimize returns for the shareholders of the Company. During the six months ended 30 June 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 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 due to their other engagement in other commitments.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company or other listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**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 six months ended 30 June 2022.

REVIEW ON INTERIM RESULTS

The Audit Committee has reviewed the accounting principles, practices and treatments adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2022 with the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.changyou-alliance.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 30 August 2022

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