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## CHANGYOU ALLIANCE GROUP LIMITED

暢由聯盟集團有限公司

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

**(Stock Code: 1039)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### HIGHLIGHTS

- Revenue of the Group increased to RMB268.8 million for the year ended 31 December 2020 (2019: approximately RMB204.1 million), representing an increase of approximately 31.7% as compared to 2019
- The gross merchandise volume from the Group's Digital Point Business increased to approximately RMB440.1 million for the year ended 31 December 2020 (2019: approximately RMB330.0 million)
- Net loss attributable to equity shareholders of the Company amounted to approximately RMB1.7 million for the year ended 31 December 2020 (2019: approximately RMB78.3 million)
- Basic and diluted loss per share for the year ended 31 December 2020 amounted to RMB0.09 cents (2019: approximately RMB4.32 cents)
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2020

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 2020.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

(Expressed in Renminbi (“RMB”))

|   |      | 2020                   | 2019                    |
|---|------|------------------------|-------------------------|
|   | Note | RMB'000                | RMB'000                 |
| <b>Revenue</b>  | 4    | <b>268,841</b>         | 204,112                 |
| Cost of sales   |      | <u>(267,796)</u>       | <u>(203,304)</u>        |
| <b>Gross profit</b>   |      | <b>1,045</b>           | 808                     |
| Other income  | 5    | <b>669</b>             | 4,210                   |
| Selling and distribution expenses                                       |      | <b>(25,270)</b>        | (37,255)                |
| Administrative expenses   |      | <b>(45,005)</b>        | (75,716)                |
| Research and development costs  |      | <b>(36,188)</b>        | (44,156)                |
| Impairment gain/(loss) of trade and other receivables                   |      | <u><b>29,673</b></u>   | <u>(36,779)</u>         |
| <b>Loss from operations</b>   |      | <b>(75,076)</b>        | (188,888)               |
| Finance costs   | 6(a) | <b>(6,444)</b>         | (5,662)                 |
| Loss arising from changes in fair value on held-for-trading investments |      | <u><b>(674)</b></u>    | <u>(512)</u>            |
| <b>Loss before taxation</b>   | 6    | <b>(82,194)</b>        | (195,062)               |
| Income tax  | 7    | <u><b>—</b></u>        | <u><b>—</b></u>         |
| <b>Loss for the year</b>  |      | <u><b>(82,194)</b></u> | <u><b>(195,062)</b></u> |
| <b>Attributable to:</b>   |      |                        |                         |
| Equity shareholders of the Company                                      |      | <b>(1,652)</b>         | (78,295)                |
| Non-controlling interests   |      | <u><b>(80,542)</b></u> | <u>(116,767)</u>        |
| <b>Loss for the year</b>  |      | <u><b>(82,194)</b></u> | <u><b>(195,062)</b></u> |
| <b>Loss per share</b>   |      |                        |                         |
| Basic and diluted (RMB cent)  | 8    | <u><b>(0.09)</b></u>   | <u><b>(4.32)</b></u>    |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

(Expressed in RMB)

|  | 2020<br>RMB'000        | 2019<br>RMB'000         |
|--|------------------------|-------------------------|
| <b>Loss for the year</b>   | <b>(82,194)</b>        | <b>(195,062)</b>        |
| <b>Other comprehensive income for the year (after tax):</b>  |                        |                         |
| Items that may be reclassified subsequently to profit or loss:                                       |                        |                         |
| – Exchange differences on translation of financial statements into the Group's presentation currency | <u>(3,919)</u>         | <u>1,861</u>            |
| <b>Total comprehensive income for the year</b>   | <b><u>(86,113)</u></b> | <b><u>(193,201)</u></b> |
| <b>Attributable to:</b>  |                        |                         |
| Equity shareholders of the Company   | (5,571)                | (76,434)                |
| Non-controlling interests  | <u>(80,542)</u>        | <u>(116,767)</u>        |
| <b>Total comprehensive income for the year</b>   | <b><u>(86,113)</u></b> | <b><u>(193,201)</u></b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(Expressed in RMB)

|   |      | At 31 December<br>2020<br>RMB'000 | At 31 December<br>2019<br>RMB'000 |
|---|------|-----------------------------------|-----------------------------------|
|   | Note |                                   |                                   |
| <b>Non-current assets</b>                       |      |                                   |                                   |
| Property and equipment                          |      | 12,388                            | 8,946                             |
| Intangible assets                               |      | —                                 | —                                 |
| Goodwill  |      | —                                 | —                                 |
|   |      | <u>12,388</u>                     | <u>8,946</u>                      |
| <b>Current assets</b>                           |      |                                   |                                   |
| Held-for-trading investments                    |      | 1,685                             | 2,631                             |
| Inventories                                     |      | 1,408                             | 1,733                             |
| Trade and other receivables                     | 9    | 122,185                           | 119,916                           |
| Cash and cash equivalents                       |      | 152,273                           | 137,839                           |
|   |      | <u>277,551</u>                    | <u>262,119</u>                    |
| <b>Current liabilities</b>                      |      |                                   |                                   |
| Trade and other payables                        | 10   | 133,685                           | 151,799                           |
| Convertible bonds                               | 11   | —                                 | 27,140                            |
| Lease liabilities                               | 12   | 7,461                             | 1,779                             |
|   |      | <u>141,146</u>                    | <u>180,718</u>                    |
| <b>Net current assets</b>                       |      | <u>136,405</u>                    | <u>81,401</u>                     |
| <b>Total assets less current liabilities</b>    |      | <u>148,793</u>                    | <u>90,347</u>                     |
| <b>Non-current liabilities</b>                  |      |                                   |                                   |
| Convertible bonds                               | 11   | 50,489                            | —                                 |
| Lease liabilities                               | 12   | 2,377                             | 1,185                             |
| Loans from an equity shareholder of the Company | 13   | 33,666                            | —                                 |
|   |      | <u>86,532</u>                     | <u>1,185</u>                      |
| <b>NET ASSETS</b>                               |      | <u>62,261</u>                     | <u>89,162</u>                     |

|  |             | At 31 December<br>2020<br><i>RMB'000</i> | At 31 December<br>2019<br><i>RMB'000</i> |
|--|-------------|--|--|
|  | <i>Note</i> |  |  |
| <b>CAPITAL AND RESERVES</b>  | <i>17</i>   |  |  |
| Share capital  |             | 117,812                                  | 117,812                                  |
| Reserves   |             | <u>243,263</u>                           | <u>189,622</u>                           |
| <b>Total equity attributable to equity shareholders<br/>of the Company</b> |             | <b>361,075</b>                           | 307,434                                  |
| <b>Non-controlling interests</b>   |             | <u>(298,814)</u>                         | <u>(218,272)</u>                         |
| <b>TOTAL EQUITY</b>  |             | <b><u>62,261</u></b>                     | <b><u>89,162</u></b>                     |

## NOTES

*(Expressed in RMB unless otherwise indicated)*

### 1 STATEMENT OF COMPLIANCE

The annual results set out in this announcement are extracted from the Group's financial statements for the year ended 31 December 2020.

The 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. The 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 the financial statements.

### 2 BASIS OF PREPARATION

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

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

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

For the year ended 31 December 2020, the Group had incurred net loss of RMB82,194,000 and net cash used in operating activities of RMB104,245,000. Notwithstanding the above, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern. This is because the Group continues its efforts in developing new business scenarios in a view to increase activities over the electronic trading platform which it operates, hence the profitability of the Group, and based on a cash flow forecast of the Group for the twelve months ending 31 December 2021 prepared by the management, which has taken into account unutilised loan facilities of Hong Kong dollar ("HK\$") 71,000,000 (equivalent to approximately RMB59,756,000) from an equity shareholder of the Company, the directors of the Company consider the use of the going concern basis in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020 to be appropriate.

### 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:

- Revised Conceptual Framework for Financial Reporting 2018
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*

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 except for the amendment to HKFRS 16, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the year (if any). Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

### 4 REVENUE

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

#### (a) Disaggregation of revenue

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

|   | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|-----------------|-----------------|
| <b>Revenue from contracts with customers within the scope of HKFRS 15<br/>disaggregated by major products or service lines and by timing of<br/>revenue recognition</b> |                 |                 |
| Revenue from facilitation of digital point business through operation of an<br>electronic platform and other trading business:  |                 |                 |
| – Point in time   | 268,696         | 203,362         |
| – Over time   | 145             | 750             |
|   | <u>268,841</u>  | <u>204,112</u>  |

The Group's customer base is diversified. There was no customer with whom transactions exceeded 10% of the Group's revenue for the year ended 31 December 2020 (2019: no customer with whom transactions exceeded 10%).

**(b) Geographic information**

All of the Group's revenue for the years ended 31 December 2020 and 2019 were generated from sales and services to customers in the People's Republic of China (the "PRC"). All of the non-current assets of the Group are either physically located or allocated to operations in the PRC.

**5 OTHER INCOME**

|  | <b>2020</b><br><b>RMB'000</b> | 2019<br><b>RMB'000</b> |
|--|-------------------------------|------------------------|
| Interest income                                | <b>93</b>                     | 4,096                  |
| Government grants                              | <b>336</b>                    | 108                    |
| Net loss on disposal of property and equipment | <b>(108)</b>                  | –                      |
| Others   | <b>348</b>                    | 6                      |
|  | <u><b>669</b></u>             | <u>4,210</u>           |

**6 LOSS BEFORE TAXATION**

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

**(a) Finance costs**

|  | <b>2020</b><br><b>RMB'000</b> | 2019<br><b>RMB'000</b> |
|--|-------------------------------|------------------------|
| Interest expenses on lease liabilities   | <b>1,305</b>                  | 1,052                  |
| Finance charges on convertible bonds ( <i>Note 11</i> )  | <b>5,861</b>                  | 6,804                  |
| Interest expenses on loans from an equity shareholder of the Company                           | <b>668</b>                    | –                      |
|  | <u><b>7,834</b></u>           | <u>7,856</u>           |
| Net foreign exchange gain  | <b>(1,076)</b>                | (478)                  |
| Changes in fair value on the derivative components of convertible bonds<br>( <i>Note 11</i> )  | <b>–</b>                      | (245)                  |
| Gain on redemptions, extinguishment and recognition of convertible bonds<br>( <i>Note 11</i> ) | <b>(314)</b>                  | (1,471)                |
|  | <u><b>6,444</b></u>           | <u>5,662</u>           |

No borrowing costs have been capitalised for the year ended 31 December 2020 (2019: RMBNil).



**(b) Staff costs<sup>#</sup>:**

|  | <b>2020</b>           | 2019           |
|--|-----------------------|----------------|
|  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Salaries, wages and other benefits                     | <b>79,003</b>         | 92,402         |
| Contributions to defined contribution retirement plans | <b>829</b>            | 9,360          |
|  | <b>79,832</b>         | 101,762        |

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 rate 16% (2019: 16% to 20%) of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

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

In 2020, in an effort to provide financial support to enterprises during the Covid-19 pandemic, the PRC government authorities have granted partial exemption on the Group's contributions to the defined contribution retirement plans. The total exempted amount was RMB6,826,000 in 2020.

**(c) Other items:**

|  | <b>2020</b>           | 2019           |
|--|-----------------------|----------------|
|  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Cost of inventories <sup>#</sup>   | <b>267,796</b>        | 203,233        |
| Depreciation expenses <sup>#</sup>   |                       |                |
| – owned property and equipment   | <b>3,780</b>          | 4,079          |
| – right-of-use assets  | <b>7,783</b>          | 7,395          |
| Operating lease charges relating to short-term leases and leases of low-value assets | <b>2,405</b>          | 3,099          |
| Auditor's remuneration-audit services  | <b>2,300</b>          | 2,650          |

<sup>#</sup> No staff cost or depreciation expense is included in cost of inventories for the year ended 31 December 2020 (2019: RMBNil).

## 7 INCOME TAX

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

|                               | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Current and deferred taxation | —                      | —                      |

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

|   | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| Loss before taxation  | (82,194)               | (195,062)              |
| Expected tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned ( <i>Notes (i), (ii) and (iii)</i> ) | (20,813)               | (42,695)               |
| Tax effect of non-deductible expenses   | 2,478                  | 8,606                  |
| Tax effect of unused tax losses and deductible temporary differences not recognised   | 18,335                 | 34,089                 |
| 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 2020 (2019: 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 2020 (2019: 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 2020 (2019: 25%).

## 8 LOSS PER SHARE

### (a) Basic loss per share

The basic loss per share for the year ended 31 December 2020 is calculated based on the loss attributable to the equity shareholders of the Company of RMB1,652,000 (2019: RMB78,295,000) and the weighted average of 1,810,953,000 ordinary shares (2019: 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 2020 and 2019.

**9 TRADE AND OTHER RECEIVABLES**

|   | <b>At 31 December<br/>2020<br/>RMB'000</b> | <b>At 31 December<br/>2019<br/>RMB'000</b> |
|---|--|--|
| Trade receivables   | <b>9,121</b>                               | 5,876                                      |
| Less: loss allowance  | <b>(1,403)</b>                             | (310)                                      |
|   | <b>7,718</b>                               | 5,566                                      |
| Other receivables:  |  |  |
| – Loans to third parties  | <b>26,537</b>                              | 58,857                                     |
| – Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder ( <i>Note (i)</i> ) | <b>100,000</b>                             | 100,000                                    |
| – Others  | <b>8,209</b>                               | 9,325                                      |
|   | <b>134,746</b>                             | 168,182                                    |
| Less: loss allowance  | <b>(31,664)</b>                            | (63,551)                                   |
|   | <b>103,082</b>                             | 104,631                                    |
| Financial assets measured at amortised cost   | <b>110,800</b>                             | 110,197                                    |
| Prepayments and deposits  | <b>11,385</b>                              | 9,719                                      |
|   | <b>122,185</b>                             | 119,916                                    |

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

*Note:*

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

## Ageing analysis

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

|                                   | At 31 December<br>2020<br>RMB'000 | At 31 December<br>2019<br>RMB'000 |
|-----------------------------------|-----------------------------------|-----------------------------------|
| Within 3 months                   | 7,625                             | 5,141                             |
| Over 3 months but within 6 months | 37                                | 409                               |
| Over 6 months                     | 56                                | 16                                |
|                                   | <u>7,718</u>                      | <u>5,566</u>                      |

## 10 TRADE AND OTHER PAYABLES

|  | At 31 December<br>2020<br>RMB'000 | At 31 December<br>2019<br>RMB'000 |
|--|-----------------------------------|-----------------------------------|
| Trade payables   | <u>10,285</u>                     | <u>10,440</u>                     |
| Payables for staff related costs   | 8,331                             | 6,974                             |
| Payables for miscellaneous taxes   | 609                               | 543                               |
| Payables for selling expenses incurred for digital point business  | 72                                | 2,259                             |
| Advance from a non-controlling equity shareholder of a subsidiary ( <i>Note 9(i)</i> )   | 100,000                           | 100,000                           |
| Refundable deposit received from a third party in connection with a terminated capital injection into a non-wholly owned subsidiary of the Group | –                                 | 10,000                            |
| Interest payable to an equity shareholder of the Company   | 668                               | –                                 |
| Others   | <u>8,824</u>                      | <u>18,554</u>                     |
|  | <u>118,504</u>                    | <u>138,330</u>                    |
| Financial liabilities measured at amortised cost   | 128,789                           | 148,770                           |
| Deposits received from business partners in connection with the digital point business   | 1,904                             | 1,439                             |
| Receipts-in-advance received from customers  | 812                               | 336                               |
| Deferred income  | <u>2,180</u>                      | <u>1,254</u>                      |
|  | <u>133,685</u>                    | <u>151,799</u>                    |

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

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

|                 | <b>At 31 December<br/>2020<br/>RMB'000</b> | At 31 December<br>2019<br>RMB'000 |
|-----------------|--|-----------------------------------|
| Within 3 months | 9,558                                      | 9,937                             |
| 3 to 6 months   | 124  | 154                               |
| Over 6 months   | 603  | 349                               |
|                 | <u>10,285</u>                              | <u>10,440</u>                     |

## 11 CONVERTIBLE BONDS

The Group's convertible bonds are analysed as follows:

|  | <b>Liability<br/>components<br/>RMB'000</b> | <b>Derivative<br/>components<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|--|---|--|--------------------------|
| At 1 January 2019  | 44,363                                      | 72   | 44,435                   |
| Accrued finance charges for the year ( <i>Note 6(a)</i> )            | 6,804                                       | –  | 6,804                    |
| Interest paid  | (4,542)                                     | –  | (4,542)                  |
| Exchange adjustments   | 359   | 2  | 361                      |
| Fair value changes on the derivative components ( <i>Note 6(a)</i> ) | –   | (245)  | (245)                    |
| Redemption, extinguishment and recognition of convertible bonds      | (19,857)                                    | 184  | (19,673)                 |
| At 31 December 2019 and 1 January 2020                               | 27,127                                      | 13   | 27,140                   |
| Redemption of convertible bonds                                      | (28,570)                                    | (13)   | (28,583)                 |
| Convertible bonds issued   | 48,665                                      | –  | 48,665                   |
| Accrued finance charges for the year ( <i>Note 6(a)</i> )            | 5,861                                       | –  | 5,861                    |
| Interest paid  | (1,541)                                     | –  | (1,541)                  |
| Exchange adjustments   | (1,053)                                     | –  | (1,053)                  |
| At 31 December 2020  | <u>50,489</u>                               | <u>–</u>                                     | <u>50,489</u>            |
|  | <b>At 31 December<br/>2020<br/>RMB'000</b>  | <b>At 31 December<br/>2019<br/>RMB'000</b>   |                          |
| Represented by:  |   |  |                          |
| – current liabilities  | –   | 27,140                                       |                          |
| – non-current liabilities  | 50,489                                      | –  |                          |
|  | <u>50,489</u>                               | <u>27,140</u>                                |                          |

In June 2015, the Company issued two secured convertible bonds with an aggregate face value of United States Dollar (“USD”)10,000,000 (equivalent to approximately RMB61,176,000) to Chance Talent Management Limited (“Chance Talent”), a third party, (together, “CB1”). On the date of issuance, both bonds bore interest at 13% per annum and were to mature in June 2018, where Chance Talent could convert them into the Company’s ordinary shares at the respective stipulated conversion prices before their maturity dates.

In December 2017, the Company has extinguished CB1 and issued secured convertible bonds with face value of USD10,000,000 (equivalent to approximately RMB66,066,000) to Chance Talent (“CB2”). On the date of issuance, CB2 bore interest at 13% per annum, were to mature in June 2019 and secured by 109,343,662 ordinary shares in the Company owned by Century Investment (Holding) Limited (“Century Investment”). Chance Talent could convert CB2 into the Company’s ordinary shares at HK\$1.209 per share before the maturity date.

In July 2018, the Company and Chance Talent entered into an agreement to amend the terms of CB2 which constituted significant contract modifications, and accordingly, CB2 has been accounted for as extinguishment of the original financial instrument and the recognition of a new financial instrument. Pursuant to this agreement, the Company redeemed an aggregate principal amount of USD3,300,000 (equivalent to approximately RMB21,994,000) of CB2 in cash and provided an additional 45,347,514 shares in the Company owned by Century Investment as securities for CB2 in 2018. The remaining principal amount of USD6,700,000 was to mature in June 2019 and could be converted into the Company’s ordinary shares at HK\$1.209 per share before the maturity date in June 2019 (“CB3”).

In June 2019, the Company and Chance Talent agreed to further amend the terms of CB3 which constituted significant contract modifications, and accordingly, CB3 has been accounted for as extinguishment of the financial instrument recognised in July 2018 and the recognition of a new financial instrument. Pursuant to the agreement, the Company redeemed a principal amount of USD2,700,000 (equivalent to approximately RMB18,202,000) of CB3 in cash, and the remaining principal amount of USD4,000,000 is to mature in June 2020 and can be converted into the Company’s ordinary shares at HK\$1.209 per share from 22 July 2019 to the maturity date in June 2020 (“CB4”).

In June 2020, the Company redeemed the remaining principal amount of USD4,000,000 (equivalent to approximately RMB28,269,000) of CB4 in cash. The difference between the redemption value and the carrying amount of CB4 amounted to a gain of RMB314,000 which has been recognised in profit or loss for the year ended 31 December 2020. On 6 July 2020, 154,691,176 ordinary shares mentioned above pledged under CB4 had been released.

In October 2020, the Company issued convertible bonds with face value of HK\$126,000,000 (equivalent to approximately RMB108,945,000) (“CB5”) to Century Investment. CB5 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 CB5 (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 CB5, Century Investment can convert CB5 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 is classified as equity component and credited to the Company’s capital reserve account.

## 12 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

|                                  | 2020<br><i>RMB'000</i> | 2019<br><i>RMB'000</i> |
|----------------------------------|------------------------|------------------------|
| Within 1 year                    | 7,461                  | 1,779                  |
| After 1 year but within 2 years  | 2,095                  | 1,185                  |
| After 2 years but within 5 years | 282                    | —                      |
|                                  | 2,377                  | 1,185                  |
|                                  | 9,838                  | 2,964                  |

## 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 2020, the outstanding principal of loans drawn under the Facility Agreements is HK\$40,000,000 (equivalent to approximately RMB33,666,000).

## 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.

On 3 October 2016, 80,000,000 share options were granted to directors of the Company and employees of the Group under the above share option scheme. All of the share options granted will vest after one year from the date of grant. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK\$1.41 and is settled gross in shares. The share options granted in 2016 have expired on 3 October 2019.

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.

(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 directors: |                       |                      |                                   |
| – On 7 August 2018                  | <u>72,000,000</u>     | No vesting condition | 4.74 years                        |

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

|  | 2020                                    |                         | 2019                                    |                         |
|--|---|-------------------------|---|-------------------------|
|  | Weighted average exercise price<br>HK\$ | Number of share options | Weighted average exercise price<br>HK\$ | Number of share options |
| Outstanding at the beginning of the year | 1.21                                    | 72,000,000              | 1.31                                    | 147,000,000             |
| Expired during the year                  |   | <u>–</u>                | 1.41                                    | <u>(75,000,000)</u>     |
| Outstanding at the end of the year       | 1.21                                    | <u>72,000,000</u>       | 1.21                                    | <u>72,000,000</u>       |
| Exercisable at the end of the year       | 1.21                                    | <u>72,000,000</u>       | 1.21                                    | <u>72,000,000</u>       |

The share options outstanding at 31 December 2020 had exercise price of HK\$1.21 (2019: HK\$1.21) and remaining contractual life of 2.3 years (2019: 3.3 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 RMB680,537,000 at 31 December 2020 (2019: RMB617,766,000), 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 2020 will expire on or before 31 December 2025.

## 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 2020 (2019: 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 dividend for the year ended 31 December 2019 (2018: RMBNil).



## 17 SHARE CAPITAL

### (i) Issued share capital

|  | 2020                  |                | 2019                  |                |
|--|-----------------------|----------------|-----------------------|----------------|
|  | No. of shares<br>'000 | USD'000        | No. of shares<br>'000 | USD'000        |
| <b>Authorised:</b>   |                       |                |                       |                |
| Ordinary shares of USD0.01 each                                    | <u>5,000,000</u>      | <u>50,000</u>  | <u>5,000,000</u>      | <u>50,000</u>  |
|  |                       |                |                       |                |
|  | 2020                  |                | 2019                  |                |
|  | No. of shares<br>'000 | RMB'000        | No. of shares<br>'000 | RMB'000        |
| <b>Ordinary shares of USD0.01 each,<br/>issued and fully paid:</b> |                       |                |                       |                |
| At 1 January and 31 December                                       | <u>1,810,953</u>      | <u>117,812</u> | <u>1,810,953</u>      | <u>117,812</u> |

### (ii) Warrants

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

During the year ended 31 December 2020, no warrant was exercised (2019: Nil).

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

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

## 19 IMPACTS OF COVID-19 PANDEMIC

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group has capitalised on its years of experience in the e-commerce business, which has enabled the Group to grasp market opportunities and enter the digital points business segment and industry. In the second half of 2017, the Group formed the Changyou digital point business ecosystem alliance (the “**Changyou Alliance**”) with CCB International (Holdings) Limited (“**CCB International**”), China UnionPay Merchant Services Company Limited (“**UnionPay Merchant**”), Bank of China Group Investment Limited (“**Bank of China**”), China Mobile (Hong Kong) Group Limited (“**China Mobile**”) and China Eastern Airlines Corporation Limited (“**China Eastern Airlines**”). To better promote our corporate image and in line with the Group’s strategic focus on the development of Changyou, the English name of the Company has been changed from “Fortunet e-Commerce Group Limited” to “Changyou Alliance Group Limited” and the Company has adopted “暢由聯盟集團有限公司” as the dual foreign name in Chinese of the Company in place of “鑫網易商集團有限公司” with effect from 3 June 2020.

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

Since its launch, the Changyou Platform has undergone rapid development, with an increasing number of users, more diversified products and services, as well as optimised business models and consumption scenarios. The total revenue from the business operations of the Changyou Alliance and the Changyou Platform (collectively, the “**Digital Point Business**”) increased to approximately RMB268.8 million for the year ended 31 December 2020 (2019: approximately RMB204.1 million), representing an increase of approximately RMB64.7 million or approximately 31.7% as compared to 2019.

The gross merchandise volume of the Digital Point Business amounted to approximately RMB440.1 million for the year ended 31 December 2020 (2019: approximately RMB330.0 million), representing an increase of approximately RMB110.1 million (approximately 33.4%) over the same period of last year. The Group is currently negotiating with a number of potential business partners to further enhance the Changyou Platform and expand the scope of its Digital Point Business into other sectors.

## **BUSINESS SEGMENTS**

### **Financial cooperation business**

In recent years, financial technology has developed rapidly in China. The digital transformation of financial institutions has continued to advance and the products and tools applying such financial technology are becoming more abundant. Changyou is committed to the issuance, exchange and settlement of digital points, with a view to create a forward-looking commercial financial platform. Users can monetise Changyou points via Changyou Pay (暢由付) on the Changyou Platform. Changyou Pay also enhances the standardised, low-cost and efficient Changyou points services for small and medium enterprises.

The Group offers points consumption services and points cashier output services to Changyou Alliances and other alliances utilising the Digital Point Business. In 2020, National Grid digital points and cash payment functions were added to the Changyou Platform. The Changyou Platform has separated point realisation and payment steps and has been visually optimised for a clearer user interface, enhancing the user's product experience. Additionally, the Changyou Platform has optimised the back office of its offline scan-and-pay business as well as product management and reconciliation for merchants.

The product structure of the Group's instalment business has been enriched with the introduction of top brand suppliers for various levels of consumer needs. As a result, consumer loyalty and conversion of digital points are respectively maximised and facilitated. The Group has also driven a continuous sales growth with the expansion of its UnionPay channels combined with channel activities.

### **Entertainment**

To expand the scope of the Group's Digital Point Business and build a more solid customer base, as well as achieve the acquisition and conversion of target customers. In 2020, the Group prioritised the development of entertainment scenarios, merchant expansion and cooperation with brands, and has achieved good results.

To achieve merchant diversification, the Group further engaged several prominent merchants to commence their operations on the Changyou Platform. As part of the Group's efforts in the development of online entertainment scenarios, the Group is cooperating with an online game platform to develop four games expected to achieve more than 10 million downloads. The games will incorporate the Changyou point exchange business into the game environment in order to capture the vertical market where the users are likely to be converted into our customers. The Changyou Platform has continuously conducted detailed analysis on the population in the entertainment scenario to further diversity and capture different user profiles, precisely locate the subject population, and accurately output promotion content.

The Group has signed cooperation agreements with several enterprises and intend to conduct online promotions of point realisation scenarios with their own channels and user resources in this integration structure. Plans for cooperation and application programming interface connection have been confirmed.

## **Retail**

The Group has continued to develop its retail business by further expanding the development of consumer user interface including interface for catering, offline entertainment, department stores, and the provision of products relating to clothing, food, housing and transportation. The Group has developed in major provinces and key cities to centralise its business and broaden its application channels of Changyou Point Business by issuing digital catering coupons and launching the paid product “Changyou Yuanbao Card”, further promoting the Digital Point Business. In 2020, a total of 268 top key account (“KA”) merchants were introduced with 4,486 equity products launched, and 420 mall brands (merchants) were introduced with 27,664 physical products launched.

### *Joint Brand Business Operations*

The Changyou Platform has established a joint marketing brand business model, and completed the design and development of the standardised products. There are 24 merchants go online and 26 merchants to be engaged to go online, respectively. The Group is continuously expanding and optimising the distribution channels of online merchants, monitoring business operation data, as well as paying attention to handling customer complaints to promote transaction volume.

## **Travel and related businesses**

### *Public Transportation Services*

In 2020, the Group has made substantial progress in its public transportation segment to satisfy the needs of our users for daily commuting and short to medium distance travels. The Group has built a nationwide travel points scenario to improve operational efficiency and meet the users’ demands. The Group provides travel vouchers which may be redeemed by customers using Changyou points and which has covered more than 20 provinces and cities across the country. The Group has additionally reached strategic cooperation with several partners to comprehensively capture the nationwide online car booking business and high speed rail resources.

## *Personal Car Owner Services*

The Group has entered into cooperation agreements with many industry-leading carpark service brands, to provide daily parking and refuelling services, regular maintenance and repair and car washing services. Among them, since the parking segment business went online in May 2020, its annual transaction volume has exceeded RMB38.0 million with the number of users exceeding 1.4 million. At the same time, Changyou Platform has continued to enhance technology upgrades, continuously optimised user experience and business processes, and completed operational data monitoring as well as optimised the procedure for handling customers enquiries and complaints. Additionally, the Changyou Platform designed and developed the H5 page for car owner services, as well as for member operations and event planning. The design and development of the membership card business for personal car owners has been completed. There are more than 40 merchant cards and coupon rights products, and pilot testing of such products has been carried out.

## **FINANCIAL REVIEW**

### **Revenue**

The Group recorded a consolidated revenue of approximately RMB268.8 million (2019: approximately RMB204.1 million), representing an increase of approximately 31.7% as compared to 2019.

The increase in total revenue of the Group was mainly due to the continuing development and significant expansion of the Digital Point Business, including the increase in the consumption scenarios of the Digital Points Business and an increase in the number of registered users from 37.6 million users in December 2019 to 59.0 million users in December 2020.

### **Gross profit**

Gross profit for the year ended 31 December 2020 amounted to approximately RMB1.0 million (2019: approximately RMB0.8 million). The increase in gross profit was mainly due the increase in diversified products and services and the introduction of more clear delineation of business segments to improve operational efficiency.

### **Other income**

Other income of the Group for the year ended 31 December 2020 was approximately RMB0.7 million (2019: approximately RMB4.2 million). A detailed breakdown of the factors contributing to the other income of the Group is disclosed in note 5 as disclosed in this announcement.

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

Impairment gain of the Group for the year ended 31 December 2020 was approximately RMB29.7 million, which mainly represents recoveries of other receivables recognised by the Group as credit losses in the previous years (2019: impairment loss of trade and other receivables of approximately RMB36.8 million).

## **Selling and distribution expenses**

Selling and distribution expenses of the Group for the year ended 31 December 2020 decreased to approximately RMB25.3 million (2019: approximately RMB37.3 million). The decrease was mainly attributable to reduced sales and promotion activities for the Changyou Platform during the year ended 31 December 2020.

## **Administrative expenses**

The Group's administrative expenses for the year ended 31 December 2020 decreased to approximately RMB45.0 million (2019: approximately RMB75.7 million). The decrease was mainly attributable to the implementation of cost saving measures by the Group during the year ended 31 December 2020.

## **Research and development costs**

Research and development costs of the Group for the year ended 31 December 2020 decreased to approximately RMB36.2 million (2019: approximately RMB44.2 million). The decrease was mainly attributable to the reduction in staff costs for research and development activities during the year ended 31 December 2020.

## **Finance costs**

The Group incurred finance costs of approximately RMB6.4 million for the year ended 31 December 2020 (2019: approximately RMB5.7 million). A detailed breakdown of the factors contributing to the finance costs of the Group is disclosed in note 6(a) as disclosed in this announcement.

## **Taxation**

No income tax expenses was recorded for the years ended 31 December 2020 and 31 December 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, cash and cash equivalents of the Group were approximately RMB152.3 million (as at 31 December 2019: approximately RMB137.8 million). As compared to 2019, cash and cash equivalents increased by approximately RMB14.5 million, mainly due to net cash outflow arising from operating activities of approximately RMB104.2 million (2019: approximately RMB134.2 million), net cash inflow arising from investing activities of approximately RMB30.4 million (2019: approximately RMB0.3 million) and net cash inflow from financing activities of approximately RMB94.7 million (2019: approximately RMB171.9 million).

## Convertible Bonds

### *2017 Convertible bonds*

On 7 December 2017, the Company and Chance Talent Management Limited (“**Chance Talent**”), an indirect wholly-owned special purpose vehicle of CCB International (Holdings) Limited, entered into a subscription agreement, pursuant to which the Company shall issue US\$10 million 13% secured convertible bonds (the “**2017 Convertible Bonds**”) to Chance Talent. The 2017 Convertible Bonds bear interest at 13% per annum with a maturity date on 3 June 2019. For further details of the transaction, please refer to the announcement of the Company dated 7 December 2017.

The issuance of the 2017 Convertible Bonds was completed on 20 December 2017. The US\$10 million payable by Chance Talent for the subscription of the 2017 Convertible Bonds was satisfied by way of off-setting the aggregate outstanding principal amount of US\$10 million payable by the Company under the previous convertible bonds issued by the Company to Chance Talent in June 2015. Accordingly, no proceeds arose from the issue of the 2017 Convertible Bonds.

On 10 July 2019, the Company entered into a framework deed of amendment (the “**Amendment Deed**”) with Chance Talent and Century Investment (Holding) Limited (“**CIH**”), and executed an amendment deed poll pursuant to the Amendment Deed, to amend, among other things, the maturity date of the 2017 Convertible Bonds from 3 June 2019 to 3 June 2020. For further details of the extension of the maturity date of the 2017 Convertible Bonds, please refer to the announcement of the Company dated 10 July 2019. The 2017 Convertible Bonds were fully redeemed in June 2020.

### *2020 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 CIH, the net proceeds of which was intended to be utilised to expand the Digital Point Business into the Hong Kong and overseas markets by developing an additional new digital point electronic platform with Hong Kong and overseas as the target markets (the “**New International Changyou Platform**”).

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



The issuance of the 2020 Convertible Bonds was completed on 19 October 2020. As previously disclosed in the circular of the Company dated 17 September 2020, the Group originally intended to use the net proceeds (after deduction of the relevant expenses from the gross proceeds of HK\$126.0 million) from the issuance of the 2020 Convertible Bonds of approximately HK\$124.4 million as follows:

- (i) approximately HK\$100,000,000 (representing approximately 80.39% of the net proceeds) as to the development and operations of the New International Changyou Platform which was expected to be launched by May 2021, among which:
  - (a) approximately HK\$25,000,000 for 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. Such electronic platform is expected to be ready for operation by December 2020;
  - (b) approximately HK\$25,000,000 for setting up a new team, comprising various departments such as information technology, marketing, general administration, to support the daily operations of the New International Changyou Platform. Such new team is expected to be duly established by March 2021;
  - (c) approximately HK\$40,000,000 for 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. The Company targets to progressively launch the marketing activities starting from March 2021; and
  - (d) approximately HK\$10,000,000 for the general working capital of the New International Changyou Platform; and
- (ii) approximately HK\$24,400,000 (representing approximately 19.61% of the net proceeds) for the general working capital of the Group.

The management of the Company is of the opinion that due to the spread of the COVID-19 pandemic and its prolonged effects which have impacted the economy all over the world, the development of the New International Changyou Platform has been stagnant and it is expected that the development progress will be further delayed.

As at the date of this announcement, the net proceeds from the issuance of the 2020 Convertible Bonds of approximately HK\$124.4 million have not yet been utilized. The Company had originally intended that (i) the net proceeds from the issue of the 2020 Convertible Bonds will be mainly used to fund the development and operations of the New International Changyou Platform as disclosed above, and (ii) the net proceeds from the proposed subscription by an independent investor of certain ordinary shares in Pointsea Company Limited (“PCL”), an indirect non-wholly owned subsidiary of the Company, will be mainly used to fund the existing Changyou Platform in China (the “**Existing PRC Changyou Platform**”). For further details of the subscription for shares in PCL, please refer to the section headed “Management Discussion and Analysis – Liquidity and Financial Resources – Deemed disposal of equity interest in a subsidiary” in this announcement.



However, as at the date of this announcement, the subscription in PCL had yet to complete and therefore no proceeds are available to fund the operations of the Existing PRC Changyou Platform. Given the uncertainties of the continuous impact of COVID-19 pandemic on the development progress of the New International Changyou Platform, and given that there is an urgent need for funding the Existing PRC Changyou Platform, as it is a capital intensive business and a large amount of capital is required to avoid the risk of discontinuance of its operations and to fulfill its corporate social responsibility to, among other things, retain its personnel, in particular, during the current COVID-19 pandemic outbreak, in order to make good use of the proceeds from the issuance of the 2020 Convertible Bonds in a more efficient way and timely manner, part of the net proceeds will be changed to fund the operation of the Existing PRC Changyou Platform and as the general working capital of the Group, and are intended to be applied as follows:

| Usage  | Original use of the net proceeds from the issuance of 2020 Convertible Bonds as disclosed in the circular of the Company dated 17 September 2020<br><i>HK\$ (million)</i> | Proposed change in allocation of the net proceeds from the issuance of 2020 Convertible Bonds<br><i>HK\$ (million)</i> | Revised use of the net proceeds from the issuance of 2020 Convertible Bonds<br><i>HK\$ (million)</i> | Estimated timeline for utilization of the net proceeds from the issuance of 2020 Convertible Bonds after re-allocation |
|--|---|--|--|--|
|  |   |  |  |  |
| 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 2022   |
| To fund for setting up a new team, comprising various departments such as information technology, marketing, general administration, to support the daily operations of the New International Changyou Platform  | 25.0  | (15.0)   | 10.0   | 31 December 2022   |
| To fund for 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)   | –  |  |
| To fund for the general working capital of the New International Changyou Platform   | 10.0  | (8.0)  | 2.0  | 31 December 2022   |

| Usage   | Original use of the net proceeds from the issuance of 2020 Convertible Bonds as disclosed in the circular of the Company dated 17 September 2020<br><i>HK\$ (million)</i> | Proposed change in allocation of the net proceeds from the issuance of 2020 Convertible Bonds<br><i>HK\$ (million)</i> | Revised use of the net proceeds from the issuance of 2020 Convertible Bonds<br><i>HK\$ (million)</i> | Estimated timeline for utilization of the net proceeds from the issuance of 2020 Convertible Bonds after re-allocation |
|---|---|--|--|--|
| To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the Existing PRC Changyou Platform | –   | 5.0  | 5.0  | 31 December 2021   |
| To fund the staff costs and staff related expenses and the development of the technology infrastructure for Existing PRC Changyou Platform  | –   | 32.0   | 32.0   | 31 December 2021   |
| To fund the fixed administrative expenses for Existing PRC Changyou Platform (excluding promotion and marketing expenses and staff costs and staff related expenses)  | –   | 8.0  | 8.0  | 31 December 2021   |
| For the repayment of the unsecured revolving loan from CIH  | –   | 40.0   | 40.0   | 30 June 2022   |
| As the general working capital of the Group   | 24.4  | –  | 24.4   | 30 June 2022   |
| Total   | <u>124.4</u>  | <u>–</u>   | <u>124.4</u>   |  |

Save for the aforesaid changes, there is no other change in the use of the net proceeds from the issue of the 2020 Convertible Bonds. The Board considers that such proposed change in use of proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

## Issue of Warrants

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

Upon the fulfilment of certain conditions, the Warrants are exercisable in full or in part at any time between the period commencing on the date that is six months after the date of the issue of the Warrants and ending on the earliest of (i) the date on which all Warrants have been exercised in full; and (ii) the date that is the fifth anniversary date of the issue date of such Warrants. None of the Warrants were exercised during the year ended 31 December 2020. 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 2020.

## Advance to an entity

On 3 January 2019, Fortunet Development Limited (the “**Lender**”), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement (the “**Loan Agreement**”) with Asia Television Holdings Limited (the “**Borrower**”), pursuant to which the Lender conditionally agreed to provide to the Borrower a term loan of HK\$40,000,000 for the general working capital of the Borrower, at an interest rate of 12% per annum for a term of 12 months commencing from the date of the drawdown of the loan by the Borrower (the “**Loan**”). The obligations of the Borrower under the Loan Agreement are secured by a deed of guarantee by a substantial shareholder of the Borrower (the “**Guarantor**”). For further details of the Loan, please refer to the announcement of the Company dated 3 January 2019. The Borrower has fully drawn down the Loan in one single amount on 3 January 2019. Pursuant to the Loan Agreement, the Borrower shall repay the principal amount of the Loan in full together with the interest accrued thereon on 3 January 2020. As at the date of this announcement, the Borrower repaid HK\$34,500,000, comprising the principal of approximately HK\$31,118,000 and accrued interest of approximately HK\$3,382,000. The Lender is in negotiations with the Borrower and the Guarantor for the repayment of the remaining balance of the Loan.

## Deemed disposal of equity interest in a subsidiary

### 2019 Subscriptions

On 31 January 2019, PCL entered into subscription agreements with certain investors (collectively, the “**Investors**”) in relation to the allotment and issue of shares in PCL (the “**2019 Subscriptions**”). The aggregate amount of proceeds expected to be raised upon the completion of all the 2019 Subscriptions amounts to RMB300 million, which was intended to be utilised for, among other things, the further development and expansion of the Digital Point Business. The subscription price payable for the 2019 Subscription was determined after arm’s length negotiations between PCL and the Investors on the basis of the pre-money valuation of US\$500 million (approximately RMB3,424 million). The 2019 Subscription by two out of three Investors were completed in March 2019, and gross proceeds of RMB200 million were received by the Group. The subscription by the remaining one Investor was terminated on 1 December 2019 as the conditions precedent set out in the relevant subscription agreement have not been fully satisfied or waived. Further details in relation to the 2019 Subscription have been disclosed in the Company’s announcements dated 31 January 2019, 14 February 2019, 31 May 2019 and 1 December 2019. As at 31 December 2020, the proceeds from the 2019 Subscription had been fully utilised, and the actual use thereof was as follows:

| Usage   | Original use of the<br>proceeds from the<br>2019 Subscriptions<br>as previously<br>disclosed in the<br>annual report of<br>the Company for<br>the year ended<br>31 December 2018<br><i>RMB (million)</i> | Revised use of the<br>proceeds from the<br>2019 Subscriptions<br>due to the<br>termination of the<br>2019 Subscriptions<br>by one of the<br>Investors<br><i>RMB (million)</i> | Actual use<br>of the proceeds<br>from the<br>2019 Subscriptions<br><i>RMB (million)</i> |
|---|--|---|---|
| To fund the fixed expenses<br>(comprising salaries and other<br>administrative expenses) for<br>the recruitment and retention of<br>personnel and management and<br>for the development of Changyou<br>Platform in 2019 and 2020  | 120  | 93  | 93  |
| To fund promotional and marketing<br>activities to attract and maintain<br>customers’ loyalty and their<br>participation and consumption of the<br>products and services provided on<br>the Changyou Platform in 2019 and<br>2020 | 80   | 10  | 10  |

| <b>Usage</b>   | <b>Original use of the<br/>proceeds from the<br/>2019 Subscriptions<br/>as previously<br/>disclosed in the<br/>annual report of<br/>the Company for<br/>the year ended<br/>31 December 2018<br/>RMB (million)</b> | <b>Revised use of the<br/>proceeds from the<br/>2019 Subscriptions<br/>due to the<br/>termination of the<br/>2019 Subscriptions<br/>by one of the<br/>Investors<br/>RMB (million)</b> | <b>Actual use<br/>of the proceeds<br/>from the<br/>2019 Subscriptions<br/>RMB (million)</b> |
|--|---|---|---|
| For the repayment of the unsecured term loan facility advanced from the Company by August 2019                   | 88  | 88  | 88  |
| To fund the registered capital of any direct or indirect wholly foreign owned enterprise of PCL in 2019 and 2020 | 3   | —   | —   |
| To fund the general working capital of PCL and its subsidiaries in 2019 and 2020                                 | 9   | 9   | 9   |
| <b>Total</b>   | <b>300</b>  | <b>200</b>  | <b>200</b>  |

### **2020 Subscription**

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

As at the date of this announcement, the 2020 Subscription had yet to be completed and no proceeds from the 2020 Subscription were received. PCL and the New Investor are using all reasonable efforts within their respective capacity to satisfy the conditions precedent of the 2020 Subscription by 30 June 2021 (being the long stop date of the 2020 Subscription).

Assuming the maximum proceeds of US\$42.8 million (equivalent to approximately RMB277 million) are raised from the 2020 Subscription, it is expected that the proceeds will be applied as follows and will be fully utilised by June 2022:

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

## Net assets

As at 31 December 2020, net current assets of the Group amounted to approximately RMB136.4 million (as at 31 December 2019: approximately RMB81.4 million). As at 31 December 2020, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 1.97 (as at 31 December 2019: approximately 1.45).

As at 31 December 2020, total assets of the Group were approximately RMB289.9 million (as at 31 December 2019: approximately RMB271.1 million) and total liabilities were approximately RMB227.7 million (31 December 2019: approximately RMB181.9 million). The debt ratio as at 31 December 2020 (being total liabilities divided by total assets) was 0.79 as compared to 0.67 as at 31 December 2019.

## Borrowings

As at 31 December 2020, the Group had total borrowings (which consisted of convertible bonds) of approximately RMB84.2 million (as at 31 December 2019: approximately RMB27.1 million). The gearing ratio as at 31 December 2020 (being total borrowing divided by total equity) was approximately 1.35 (as at 31 December 2019: approximately 0.30).

## **Trade and other receivables**

Trade and other receivables of the Group as at 31 December 2020 were approximately RMB122.2 million (as at 31 December 2019: approximately RMB119.9 million). A detailed breakdown of the factors contributing to the trade and other receivables of the Group is disclosed in note 9 as disclosed in this announcement.

## **Inventories**

The inventory balance of the Group as at 31 December 2020 was approximately RMB1.4 million (as at 31 December 2019: approximately RMB1.7 million). The Digital Point Business requires minimal inventory level.

## **Trade and other payables**

Trade and other payables of the Group as at 31 December 2020 were approximately RMB133.7 million (as at 31 December 2019: approximately RMB151.8 million). A detailed breakdown of the factors contributing to the trade and other payables of the Group is disclosed in note 10 as disclosed in this announcement.

## **Pledged assets**

As at 31 December 2020, the Group did not have pledged assets (as at 31 December 2019: Nil).

## **Contingent liabilities**

As at 31 December 2020, the Group had no significant contingent liabilities (as at 31 December 2019: Nil).

## **Capital commitment**

As at 31 December 2020, the Group had no contracted capital commitments which were not provided in the financial statements (as at 31 December 2019: Nil).

## **Employees and remuneration policy**

As at 31 December 2020, the Group had 236 employees (as at 31 December 2019: 238 employees). For the year ended 31 December 2020, total staff costs were approximately RMB79.8 million (2019: approximately RMB101.8 million).

During the year, the Group also provided internal training, external training and correspondence courses for its staff in order to promote self improvement and enhancement of skills relevant to work. The remuneration of the Directors was determined with reference to their position, responsibilities and experience and prevailing market conditions.



## **Foreign exchange risk**

The business of the Group is mainly located in China and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. As at 31 December 2020, the Group's net foreign currency assets amounted to approximately RMB1.2 million (as at 31 December 2019: approximately RMB64.5 million). During the year ended 31 December 2020, the Group did not utilise any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

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

Save for the deemed disposal of equity interest in PCL by the Company as disclosed in this announcement, there were no significant investments held nor material acquisitions or disposals of subsidiaries during the year ended 31 December 2020 and 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**

CIH pledged its 154,691,176 ordinary shares in the Company (the “**Charged Shares**”) in favour of Chance Talent to secure the obligations of the Company under the 2017 Convertible Bonds. The Charged Shares represent approximately 8.54% of the issued share capital of the Company as at the date of this announcement. The 2017 Convertible Bonds were fully redeemed in June 2020, and the pledge over the Charged Shares was accordingly released.

## **DIVIDEND**

The Board does not recommend payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

## **PROSPECTS**

Changyou is a cross-channel e-commerce and marketing platform that supports the full-channel operation of large institutions such as operators, UnionPay, banks and insurance companies with its supply chain products' operational capabilities. Based on the needs of our customers, Changyou develops cross-channel supply chain products for different user scenarios, in order to provide support and help channel partners to achieve their digital point conversion. Meanwhile, Changyou also expedites the exploration of KA merchants and O2O merchants on the supply side with further target group focus, thus achieving sales of principal products to large institutions.



In 2021, the Group will focus on main site operation under the strategic model of “One Body and Two Wings”. “One Body” refers to operation of the main site mobile application and public account, with an aim to build a high-quality supply chain and provide operational solutions to its business partners. “Two Wings” refers to the cooperation and channel development of our business partners such as China Mobile, UnionPay, banks and insurance companies, as well as the retail platforms for KA merchants and chain O2O merchants.

## **Product Commercialisation**

Based on the digital point assets accessed through Changyou Platform and the sales and marketing resources from UnionPay and banks, a joint marketing platform has been established covering merchants such as carparks, entertainment vendors and food retailers. The platform encourages merchants’ transactions through digital point exchange and payment discount campaigns. Through the scenario-based merchant products and commercialised design for standard products introduced on the marketing platform, the joint marketing platform will cover service from clothing, food, housing and transportation industry) supported by the sales in bank, insurance companies and card issuers.

## **Merchant and Scenario Segments**

### ***Key Account Merchants***

The key account merchant follow-up team will continue to connect with key account merchants such as large-scale catering, retail and travel merchants, providing them with support of payment resources from UnionPay and banks, and collaborating with the principal businesses of UnionPay, banks and China Mobile in order to achieve profits. Partnering with China Eastern Airlines may put the advantages of Changyou marketing alliance to full use. Changyou generates profit through provision of agency services for air tickets and the principal business of China Eastern Airlines, and at the same time introduces our payment products and other membership rights products to China Eastern Airlines. It also establishes direct and tailor-made cooperative arrangements with top brands in related industries, and expands its brand influence through the S2B2C model, thereby continuously enhancing the loyalty and engagement of Changyou point users. With payment discounts and consumption with points as the core means, this segment of Changyou will promote joint operations between brands and integrate the resources of partnering merchants to create a convenient and smooth online point payment experience covering travel, games, entertainment and e-commerce.

### ***O2O Business***

In 2021, the O2O business department will develop in 4 aspects from expansion and connection of alliances channels and respective supply chains, further promotion of membership-sharing amongst merchants, import of and increase in the number of membership, and enhancement of user activity and new members engagement. With the establishment of core merchant and channel standards, as well as the pursuit of channels to secure target merchants, operation partnerships and products import will be secured, thus achieving the coverage of more merchants and industries. Meanwhile, a multi-merchant, multi-channel ecosystem will be formed to establish an O2O supply chain resources for the products and services from merchants and channels. When combined Changyou core products with the O2O supply

chain resources and other Changyou products, the channel traffic and product supply can be facilitated. Through the in-depth cooperation under the target scenario, members are connected via transactions and accumulation of benefits, thus forming more private traffic communities.

## **Customer Business Segment**

### ***Card Issuers***

The Group will strengthen its full-scale cooperation with China UnionPay and other card issuers on financial services, public consumption, payment acceptance, user promotion, active card users, event operations, e-commerce and supply chains. The Group will leverage the marketing and operational advantages of the Changyou Platform with China Mobile, and provide China UnionPay with the operational and promotional services of the Mobile QuickPass mobile application to attract new customers. Based on the cross-marketing model, benefits will be given as a gift to retain and incentivise customers, facilitating active transactions using UnionPay Mobile QuickPass. In cooperation with China Mobile, the Mobile QuickPass discount campaign will be launched to provide China Mobile users with full or immediate discounts on their consumption in order to increase the proportion of credit card payment and user activity.

### ***Banks***

The Group will strive to cooperate with more banks in 2021. It will also deepen and expand the scope of existing cooperative arrangements, maintain its online banking business, and continue to expand its business scale and profits. Based on diverse scenarios, commercialised products will be categorised to meet the needs of multi-level bank users. Car owner products, communication service products, and retail service products will be the main attraction for this year.

## **Core Private Domain E-Commerce Point Platform for Diverse Industries**

In 2021, the Group will convert users from other digital point platform to our Changyou's users through the joint sales and marketing platform. With the expansion of user digital point sources, the establishment of Changyou digital point redemption chains, and the formation of quality supply chains, the concept of digital point value and digital point redemption will be introduced to users.

With the establishment of Changyou marketing channel alliance, domestic marketing resources are leveraged to bring new users to Changyou based on the channel resources model. Main products of various large-scale institutions will be categorised to form a scenario-based portfolio based on the core supply chain of Changyou for promotion and operation throughout China.

With the Changyou merchant marketing platform, supply chain platform, as well as productisation capabilities brought by digital points malls well in place, Changyou can support external merchants, and form a business ecosystem of digital point alliance. As a result, the merchant resources of the joint marketing platform will be greatly strengthened.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to the Company's shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

During the year ended 31 December 2020, the Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), save for the deviation as set forth below:

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

Code Provision A.6.7 of the CG Code provides that independent non-executive Directors and non-executive Directors should generally attend general meetings of the Company. Mrs. Guo Yan and Mr. Liu Jialin were not able to attend the annual general meeting of the Company held on 3 June 2020 due to their other engagement in other commitments. Mrs. Guo Yan and Mr. Liu Jialin were not able to attend the extraordinary general meetings of the Company held on 14 October 2020 due to their other engagement in other commitments.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 25 June 2021. 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, 22 June 2021 to Friday, 25 June 2021, 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, 25 June 2021, 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, 21 June 2021.

## **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 2020.

## **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, all Directors have declared and confirmed that, during the year ended 31 December 2020, they were in compliance with the Model Code.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020, 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.

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

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.changyou-alliance.com](http://www.changyou-alliance.com). The annual report of the Company for the year ended 31 December 2020 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 2021

*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.*