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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)**

### **CONTINUING CONNECTED TRANSACTION SUPPLEMENTAL FACILITY AGREEMENT IN RELATION TO THE GRANT OF REVOLVING LOAN FACILITY**

References are made to the Company's announcement dated 3 September 2019, the Company's circular and notice of extraordinary general meeting dated 15 October 2019 and the Company's poll results announcement of the extraordinary general meeting held on 31 October 2019 dated 31 October 2019, each in relation to the grant of Revolving Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly owned subsidiary of the Company, pursuant to the 2019 Facility Agreement.

#### **SUPPLEMENTAL FACILITY AGREEMENT**

On 16 September 2022 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Supplemental Facility Agreement pursuant to which the parties have agreed to vary the terms of the 2019 Facility Agreement. Save for the variations contained in the Supplemental Facility Agreement, the 2019 Facility Agreement remains in full force and effect and shall be read and construed in conjunction and as one document with the Supplemental Facility Agreement.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, PCL's entire issued share capital is owned as to 47.24% by Pointsea Holdings, 15.75% by Joy Empire, 15.75% by Extra Step, 15.75% by Eastern E-Commerce, 2.76% by Zhongjin Qizhi and 2.76% by Senran Investment. Pointsea Holdings is owned as to 80% by Treasure Ease and 20% by Easylink. Treasure Ease is owned as to 50.1% by the Company, 30% by Fin-Tech and 19.9% by Chance Talent. The Board considers that PCL is a subsidiary of the Company through its power to control the board of directors of PCL. CIH, being a substantial shareholder of the Company, holds the entire issued share capital of Fin-Tech. PCL is therefore a connected person of the Company under Rule 14A.16 of the Listing Rules and the grant of the Revolving Loan Facility constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Revolving Loan Facility is more than 5%, the Supplemental Facility Agreement and the grant of the Revolving Loan Facility is subject to the reporting, announcement, Independent Shareholders' approval, circular, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee has been established to advise and give recommendations to the Independent Shareholders in relation to the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **EGM**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder. CIH and its associates will abstain from voting at the EGM.

A circular containing, among other things, (a) further information on the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder; (b) a letter from the Independent Board Committee to the Independent Shareholders containing the recommendations in relation to the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder; (d) a notice convening the EGM; and (e) other information required under the Listing Rules will be despatched to the Shareholders on or before 7 October 2022 as additional time is required for preparing the relevant information to be included in the circular.

### **BACKGROUND**

References are made to the Company's announcement dated 3 September 2019 (the "**2019 Announcement**"), the Company's circular and notice of extraordinary general meeting dated 15 October 2019 and the Company's poll results announcement of the extraordinary general meeting held on 31 October 2019 dated 31 October 2019, each in relation to the grant of Revolving Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly owned subsidiary of the Company, pursuant to the 2019 Facility Agreement.

On 3 September 2019 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Facility Agreement, pursuant to which the Company conditionally agreed to grant the Revolving Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly owned subsidiary of the Company, pursuant to the 2019 Facility Agreement.

## **SUPPLEMENTAL FACILITY AGREEMENT**

On 16 September 2022 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Supplemental Facility Agreement pursuant to which the parties have conditionally agreed to vary the terms of the 2019 Facility Agreement.

The major terms of the Supplemental Facility Agreement are set out below:

Date: 16 September 2022 (after trading hours)

Parties: (i) the Company, as lender; and  
(ii) PCL, as borrower

Facility Period: The Facility Period shall be revised to four years from and including the date on which the Company is satisfied that all the conditions precedent of the 2019 Facility Agreement have been fulfilled or specifically waived in writing by the Company, and the Repayment Date shall be varied to 31 October 2023.

Conditions precedent: The obligations of the Company to vary the Facility Period and the Repayment Date shall be conditional upon the compliance with the applicable requirements of the Listing Rules and other regulatory provisions by the Company in connection with the transactions contemplated under the Supplemental Facility Agreement including the Independent Shareholders having approved the Supplemental Facility Agreement and the transactions contemplated thereunder at the EGM.

If these conditions have not been fulfilled on or before 31 October 2022, then the Supplemental Facility Agreement shall automatically terminate (other than in respect of the surviving provisions). In such event, neither party shall have any claim under the Supplemental Facility Agreement of any nature whatsoever against the other party except in respect of any rights and liabilities which have accrued before termination or under any of the surviving provisions.

Other terms: Subject only to the variations contained in the Supplemental Facility Agreement and such other alternations (if any) as may be necessary to render the 2019 Facility Agreement consistent with the Supplemental Facility Agreement, the 2019 Facility Agreement remains in full force and effect and shall be read and construed in conjunction and as one document with the Supplemental Facility Agreement.

## **PROPOSED ANNUAL CAP OF THE SUPPLEMENTAL FACILITY AGREEMENT**

The proposed Annual Cap in respect of the Revolving Loan Facility under the Supplemental Facility Agreement during the Facility Period shall not exceed HK\$100 million. The proposed Annual Cap was determined by reference to (i) the maximum principal amount of the Loan(s) to be granted by the Company to PCL pursuant to the 2019 Facility Agreement as amended by the Supplemental Facility Agreement; and (ii) the operations and developments of the “Changyou” business of the Group.

As at the date of this announcement, the Revolving Loan Facility has been fully utilised.

## **INFORMATION ON THE COMPANY AND THE GROUP**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability.

The Group is principally engaged in the development and operations of the electronic trading platform, “Changyou”, which aims to integrate the digital membership points, resources and strategic advantages of business partners in the Changyou digital point business ecosystem alliance. The digital membership points from various partnership entities and industries are interchangeable and redeemable globally as virtual assets and credit on the “Changyou” platform and can be purchased, earned and used by customers for the purpose and consumption of merchandise, games and entertainment, financial services and other commercial transactions.

## **INFORMATION ON PCL**

PCL is an investment holding company incorporated in the Cayman Islands with limited liability. As at the date of this announcement, PCL’s entire issued share capital is owned as to 47.24% by Pointsea Holdings, 15.75% by Joy Empire, 15.75% by Extra Step, 15.75% by Eastern E-Commerce, 2.76% by Zhongjin Qizhi and 2.76% by Senran Investment.

## **REASONS FOR AND BENEFITS OF THE REVOLVING LOAN FACILITY**

The “Changyou” business is the sole operating segment of the Group which is conducted through the PCL Group. The day-to-day operations of the “Changyou” business are capital intensive, as a large amount of capital is required (i) to attract and retain talented and experienced personnel and management team for the development of the “Changyou” platform; (ii) for promotional and marketing activities to attract and maintain customer loyalty and their participation and consumption of the products and services provided on the “Changyou” platform; and (iii) to maintain its technology infrastructure and feature new financial technologies such as blockchain into the “Changyou” platform to enable effective extraction and development of big data samples, creating a precise and extensive database of consumer transactions and consumption behaviour in the future. As such, it is important to maintain a sufficient level of liquidity and financial flexibility in order to maintain the current level of performance and user network of the “Changyou” platform.

PCL has been considering other financing opportunities in order to meet its financing needs. PCL has considered the feasibility of debt financing from banks and/or non-banking financial institutions both in the short term, as well as other sources of fundraising activities for the development and expansion of the “Changyou” business of the Group in the long term. However, due to PCL’s loss-making performance for the year ended 31 December 2021, it is not feasible for PCL to obtain loan facilities on favourable terms and conditions (such as interest rate and requirements for the provision of charges and/or other security to secure such loan facilities) from banks and/or non-banking financial institutions. PCL has also considered the feasibility of equity financing from private equity firms. However, due to the uncertainties associated with the COVID-19 pandemic outbreak, it is likely that private equity firms will be cautious in making investment decisions, impeding the equity fund raising exercise by PCL.

As at the date of this announcement, an aggregate sum of HK\$170 million under the Revolving Loan Facility and the 2021 Revolving Loan Facility have been utilised by PCL. In order to enable PCL to continue to maintain a sufficient level of liquidity, the Board considers the Revolving Loan Facility to PCL to be efficient, beneficial and in the interest of PCL and its shareholders as a whole, having considered the time and costs that may be incurred by PCL for other means of fund raising and that the variations to the Facility Period and the Repayment Date under the Supplemental Facility Agreement will not create any additional external financing cost to be incurred by the Group.

The Revolving Loan Facility is unsecured. Although PCL is a non-wholly owned subsidiary of the Company, more than half of the directors of PCL are appointed and nominated by the Company. With such structure of the board of directors of PCL, the Company can actively monitor the operations and management decision of PCL. The Company has control power over PCL so as to monitor and secure the usage of any capital of the PCL Group including but not limited to the Revolving Loan Facility and the 2021 Revolving Loan Facility. Having considered (a) the Company’s control power over PCL as aforementioned; (b) the release of the tranches of the Revolving Loan Facility was subject to the Company’s satisfaction of the assessment of the then and expected financial performance and position of the PCL Group; and (c) the “Changyou” business is the sole operating segment of the Group which is conducted through the PCL Group, the Board is of the view that (i) the default risk of PCL is justifiable; and (ii) the grant of the Revolving Loan Facility without additional collateral or guarantee is fair and reasonable.

In order to mitigate the default risk associated with the Revolving Loan Facility, the Company has taken the following internal control measures, and considers that such measures are adequate and sufficient to safeguard its assets:

- (i) the senior management of the Company will conduct continuous monitoring of the operations of the PCL Group through fostering and maintaining regular communication and active interaction between the parties;
- (ii) the designated staff of the accounting department of the Company will closely monitor the aggregated outstanding Loan balances and report the latest status to the chief financial officer/financial controller of the Company on a monthly basis to ensure that it does not exceed the Annual Cap;

- (iii) the chief financial officer/financial controller of the Company will report to the Board on half-yearly basis in relation to the transaction status;
- (iv) the Company will set an alert alarm when the aggregated outstanding Loan balances is about to reach the Annual Cap. In case that the aggregated principal amount of the Loan is expected to exceed the Annual Cap, the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules; and
- (v) the internal control department and relevant personnel of the Company will monitor and ensure all transactions contemplated under the 2019 Facility Agreement as amended by the Supplemental Facility Agreement are carried out pursuant to the terms of the Supplemental Facility Agreement.

In view of the above, the Directors (excluding the members of the Independent Board Committee, who shall form their view in the circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Supplemental Facility Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, PCL's entire issued share capital is owned as to 47.24% by Pointsea Holdings, 15.75% by Joy Empire, 15.75% by Extra Step, 15.75% by Eastern E-Commerce, 2.76% by Zhongjin Qizhi and 2.76% by Senran Investment. Pointsea Holdings is owned as to 80% by Treasure Ease and 20% by Easylink. Treasure Ease is owned as to 50.1% by the Company, 30% by Fin-Tech and 19.9% by Chance Talent. The Board considers that PCL is a subsidiary of the Company through its power to control the board of directors of PCL. CIH, being a substantial shareholder of the Company, holds the entire issued share capital of Fin-Tech. PCL is therefore a connected person of the Company under Rule 14A.16 of the Listing Rules and the grant of the Revolving Loan Facility constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Revolving Loan Facility is more than 5%, the Supplemental Facility Agreement and the grant of the Revolving Loan Facility is subject to the reporting, announcement, Independent Shareholders' approval, circular, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee has been established to advise and give recommendations to the Independent Shareholders in relation to the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder. Red Sun Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **EGM**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder. CIH and its associates will abstain from voting at the EGM.

A circular containing, among other things, (a) further information on the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder; (b) a letter from the Independent Board Committee to the Independent Shareholders containing the recommendations in relation to the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder; (d) a notice convening the EGM; and (e) other information required under the Listing Rules will be despatched to the Shareholders on or before 7 October 2022 as additional time is required for preparing the relevant information to be included in the circular.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“2019 Facility Agreement”	the facility agreement dated 3 September 2019 and entered into between the Company (as lender) and PCL (as borrower) in relation to the Revolving Loan Facility, the details of which are set out in the Company's announcement dated 3 September 2019 and the Company's circular dated 15 October 2019
“2021 Facility Agreement”	the facility agreement dated 20 April 2021 and entered into between the Company (as lender) and PCL (as borrower) in relation to the 2021 Revolving Loan Facility

“2021 Revolving Loan Facility”	an unsecured revolving loan facility of a total principal amount not exceeding HK\$100 million on the terms and conditions set out in the 2021 Facility Agreement, the details of which are set out in the Company's announcement dated 20 April 2021 and the Company's circular dated 12 May 2021
“Annual Cap”	the maximum annual amount in relation to the transactions contemplated under the Supplemental Facility Agreement, as required under Rule 14A.53 of the Listing Rules
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or public holiday) on which commercial banks are open for general business in Hong Kong
“Chance Talent”	Chance Talent Management Limited, a business company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned special purpose vehicle of CCB International (Holding) Limited
“CIH”	Century Investment (Holding) Limited, a company incorporated in the British Virgin Islands with limited liability, and a substantial shareholder of the Company
“Company”	Changyou Alliance Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Eastern E-Commerce”	China Eastern Airlines E-Commerce Co., Ltd (東方航空電子商務有限公司), a company established in the PRC and a wholly-owned subsidiary of China Eastern Airlines Corporation Limited
“Easylink”	Easylink Payment Network (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of China UnionPay Merchant Services Company Limited

“EGM”	an extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Supplemental Facility Agreement, the proposed Annual Cap and the transactions contemplated thereunder
“Extra Step”	Extra Step Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited
“Facility Period”	the 4-year period from and including the date on which the Company is satisfied that all the conditions precedent of the 2019 Facility Agreement have been fulfilled or specifically waived in writing by the Company
“Fin-Tech”	Fin-Tech Company Limited, a company incorporated in the Cayman Islands with limited liability, and a wholly-owned subsidiary of CIH
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Liu Jialin and Mr. Chan Chi Keung Alan, established to advise and give recommendations to the Independent Shareholders in relation to the Supplemental Facility Agreement (including the proposed Annual Cap) and the transactions contemplated thereunder
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders other than CIH and its associates
“Joy Empire”	Joy Empire Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Bank of China Group Investment Limited

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan made or to be made under the Revolving Loan Facility or the total principal amount outstanding from time to time of the loan(s) advanced to PCL pursuant to the Revolving Loan Facility under the Facility Agreement as amended by the Supplemental Facility Agreement
“PCL”	Pointsea Company Limited, a company incorporated in the Cayman Islands with limited liability, and an indirect non-wholly owned subsidiary of the Company
“PCL Group”	PCL and its subsidiaries
“Pointsea Holdings”	Pointsea Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Repayment Date”	the date falling on the expiry of the Facility Period or such later date as may be agreed between PCL and the Company in writing, being the date for the repayment of all Loan(s) (together with all interest accrued thereon) in full
“Revolving Loan Facility”	an unsecured revolving loan facility of a total principal amount not exceeding HK\$100 million on the terms, and subject to the conditions, set out in the 2019 Facility Agreement as amended by the Supplemental Facility Agreement
Senran Investment	Senran Investment HK Company Limited (森然投資(香港)有限公司), a company incorporated in Hong Kong with limited liability and is ultimately beneficially owned by two individuals, who are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Share(s)”	the ordinary share(s) of par value US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Supplemental Facility Agreement”	the conditional supplemental facility agreement dated 16 September 2022 and entered into between the Company (as lender) and PCL (as borrower) pursuant to which the parties have agreed to vary the terms of the 2019 Facility Agreement
“Treasure Ease”	Treasure Ease Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct non-wholly owned subsidiary of the Company
“Zhongjin Qizhi”	Zhongjin Qizhi (Shanghai) Equity Investment Centre (Limited Partnership)* (中金祺智(上海)股權投資中心(有限合夥)), a limited partnership established in the PRC and a subsidiary of an equity investment fund managed by CICC Capital (Cayman) Limited, which is in turn a wholly-owned subsidiary of China International Capital Corporation Limited
“%”	per cent.

\* *For identification purposes only*

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

Hong Kong, 16 September 2022

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