

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

CHANGYOU ALLIANCE GROUP LIMITED

暢由聯盟集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- The revenue of the Group increased by approximately 37.4% to approximately RMB144.9 million for the six months ended 30 June 2023 (30 June 2022: approximately RMB105.4 million).
- The gross merchandise value of Changyou Alliance business amounted to approximately RMB153.9 million for the six months ended 30 June 2023 (30 June 2022: approximately RMB118.7 million), representing an increase of approximately 29.7%.
- The gross profit of the Group for the six months ended 30 June 2023 amounted to approximately RMB25.8 million (30 June 2022: approximately RMB15.4 million).
- The Group recorded a loss of approximately RMB14.5 million for the six months ended 30 June 2023 (30 June 2022: approximately RMB22.7 million).
- The basic and diluted loss per share amounted to RMB0.97 cent for the six months ended 30 June 2023 (30 June 2022: RMB0.85 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

The board (the “**Board**”) of directors (the “**Directors**”) of Changyou Alliance Group Limited (the “**Company**” or “**Changyou**”) presents herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”). The interim financial information have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi (“**RMB**”))

	Note	Six months ended 30 June	
		2023 RMB’000	2022 RMB’000
Revenue	4	144,920	105,446
Cost of sales		(119,092)	(90,005)
Gross profit		25,828	15,441
Other income	5	215	412
Selling and distribution expenses		(3,264)	(2,980)
Administrative expenses		(14,050)	(14,663)
Research and development costs		(5,257)	(6,152)
Impairment (loss)/gain of trade and other receivables		(142)	330
Profit/(loss) from operations		3,330	(7,612)
Finance costs	6(a)	(17,744)	(14,910)
Loss arising from changes in fair value on trading securities		(58)	(180)
Loss before taxation	6	(14,472)	(22,702)
Income tax	7	–	–
Loss for the period		(14,472)	(22,702)
Attributable to:			
Equity shareholders of the Company		(17,563)	(15,393)
Non-controlling interests		3,091	(7,309)
Loss for the period		(14,472)	(22,702)
Loss per share			
Basic and diluted (RMB cent)	8	(0.97)	(0.85)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Loss for the period	(14,472)	(22,702)
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into the Group's presentation currency	<u>(4,693)</u>	<u>(2,512)</u>
Total comprehensive income for the period	<u>(19,165)</u>	<u>(25,214)</u>
Attributable to:		
Equity shareholders of the Company	(22,256)	(17,905)
Non-controlling interests	<u>3,091</u>	<u>(7,309)</u>
Total comprehensive income for the period	<u>(19,165)</u>	<u>(25,214)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2023 – unaudited**(Expressed in RMB)*

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property and equipment	9	4,825	5,836
Intangible assets		—	—
		<u>4,825</u>	<u>5,836</u>
Current assets			
Trading securities		616	655
Inventories		104	163
Trade and other receivables	10	117,088	114,778
Cash and cash equivalents	11	23,562	32,974
		<u>141,370</u>	<u>148,570</u>
Current liabilities			
Trade and other payables	12	118,032	124,517
Lease liabilities		2,131	2,403
Convertible bonds	13	107,288	90,535
Loans from an equity shareholder of the Company	14	—	50,095
		<u>227,451</u>	<u>267,550</u>
Net current liabilities		<u>(86,081)</u>	<u>(118,980)</u>
Total assets less current liabilities		<u>(81,256)</u>	<u>(113,144)</u>
Non-current liabilities			
Lease liabilities		2,008	2,660
Loans from an equity shareholder of the Company	14	51,705	—
		<u>53,713</u>	<u>2,660</u>
NET LIABILITIES		<u>(134,969)</u>	<u>(115,804)</u>
CAPITAL AND RESERVES	15		
Share capital		117,812	117,812
Reserves		131,483	153,739
Total equity attributable to equity shareholders of the Company		<u>249,295</u>	<u>271,551</u>
Non-controlling interests		<u>(384,264)</u>	<u>(387,355)</u>
TOTAL EQUITY – DEFICIT		<u>(134,969)</u>	<u>(115,804)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity-deficit
	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2022	117,812	1,263,789	78,635	471	41,274	(1,190,859)	311,122	(373,338)	(62,216)
Changes in equity for the six months ended 30 June 2022:									
Loss for the period	-	-	-	-	-	(15,393)	(15,393)	(7,309)	(22,702)
Other comprehensive income	-	-	-	(2,512)	-	-	(2,512)	-	(2,512)
Total comprehensive income	-	-	-	(2,512)	-	(15,393)	(17,905)	(7,309)	(25,214)
Balance at 30 June 2022 and 1 July 2022	117,812	1,263,789	78,635	(2,041)	41,274	(1,206,252)	293,217	(380,647)	(87,430)
Changes in equity for the six months ended 31 December 2022:									
Loss for the period	-	-	-	-	-	(19,332)	(19,332)	(6,708)	(26,040)
Other comprehensive income	-	-	-	(2,322)	-	-	(2,322)	-	(2,322)
Total comprehensive income	-	-	-	(2,322)	-	(19,332)	(21,654)	(6,708)	(28,362)
Effect on equity arising from the disposal of a subsidiary under common control	-	-	-	-	(12)	-	(12)	-	(12)
Balance at 31 December 2022	117,812	1,263,789	78,635	(4,363)	41,262	(1,225,584)	271,551	(387,355)	(115,804)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited (continued)

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity-deficit
	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2023	117,812	1,263,789	78,635	(4,363)	41,262	(1,225,584)	271,551	(387,355)	(115,804)
Changes in equity for the six months ended 30 June 2023:									
Loss for the period	-	-	-	-	-	(17,563)	(17,563)	3,091	(14,472)
Other comprehensive income	-	-	-	(4,693)	-	-	(4,693)	-	(4,693)
Total comprehensive income	-	-	-	(4,693)	-	(17,563)	(22,256)	3,091	(19,165)
Transfer between reserves (Note 15(b))	-	-	(18,133)	-	-	18,133	-	-	-
Balance at 30 June 2023	117,812	1,263,789	60,502	(9,056)	41,262	(1,225,014)	249,295	(384,264)	(134,969)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 – unaudited

(Expressed in RMB)

		<u>Six months ended 30 June</u>	
	<i>Note</i>	2023 RMB'000	2022 RMB'000
Operating activities			
Cash used in operations		(45)	(1,104)
Income tax paid		<u>–</u>	<u>–</u>
Net cash used in operating activities		<u>(45)</u>	<u>(1,104)</u>
Investing activities			
Payments for purchase of property and equipment		(206)	(139)
Interest received		<u>58</u>	<u>29</u>
Net cash used in investing activities		<u>(148)</u>	<u>(110)</u>
Financing activities			
Capital element of lease rentals paid		(1,039)	(1,403)
Interest element of lease rentals paid		(217)	(132)
Finance costs paid		<u>(8,104)</u>	<u>(4,419)</u>
Net cash used in financing activities		<u>(9,360)</u>	<u>(5,954)</u>
Net decrease in cash and cash equivalents		(9,553)	(7,168)
Cash and cash equivalents at 1 January	<i>11</i>	32,974	50,426
Effect of foreign exchange rate changes		<u>141</u>	<u>32</u>
Cash and cash equivalents at 30 June	<i>11</i>	<u>23,562</u>	<u>43,290</u>

Notes

(Expressed in RMB unless otherwise indicated)

1 Corporate information

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

The principal activities of the Group are the development and operation of an electronic trading platform to promote and facilitate awards earned by customers of loyalty programmes of other companies to be exchanged in the People’s Republic of China (“**PRC**”) in the form of virtual assets and credits for consumption of merchandises, games, services and other commercial transactions and other trading business.

2 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). It was authorised for issue on 31 August 2023.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial information as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements.

For the six months ended 30 June 2023, the Group had net loss of RMB14,472,000 and net cash used in operating activities of RMB45,000, and had net liabilities of RMB134,969,000 as at 30 June 2023. The Group will be unable to meet its liabilities in full when they fall due unless it is able to generate sufficient cash flows from future operations and/or other sources. These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In this regard, the Directors have identified various initiatives to address the Group's liquidity needs, which include the following:

- The Group is in discussion with its immediate and ultimate holding company, Century Investment (Holding) Limited (“CIH”), to provide the necessary financial support when requires, including but not limited to:
 - (i) provision of the drawdown of the Group's unused loan facilities with CIH of HK\$54,920,000 (equivalent to approximately RMB50,635,000) which will expire in July and September 2024 and require repayment by then (see Note 14); and/or
 - (ii) extension of the repayment date of the convertible bonds issued to CIH (see Note 13) as the convertible bonds will expire in October 2023.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the Directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the Reporting Period. Accordingly, the Directors consider it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

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

3 Changes in accounting policies

(a) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) **New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism**

In June 2022, the Government of the Hong Kong SAR (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“**LSP**”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“**MPF**”) scheme (also known as the “**offsetting mechanism**”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “**Transition Date**”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial information and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial information is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

4 Revenue

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

Disaggregation of revenue

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

	<u>Six months ended 30 June</u>	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
disaggregated by major products or service lines and by timing of revenue recognition		
Revenue from facilitation of digital point business through operation of an electronic platform and other trading business:		
– Point in time	144,920	104,565
– Over time	–	881
	<u>144,920</u>	<u>105,446</u>

5 Other income

	<u>Six months ended 30 June</u>	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	58	29
Government grants	3	64
Net gain on disposal of property and equipment	–	1
Others	154	318
	<u>215</u>	<u>412</u>

6 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs:

	<u>Six months ended 30 June</u>	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance charges on convertible bonds (Note 13)	15,297	10,896
Interest expenses on lease liabilities	217	132
Interest expenses on loans from an equity shareholder of the Company	1,598	1,603
	<u>17,112</u>	<u>12,631</u>
Net foreign exchange loss	632	2,279
	<u>17,744</u>	<u>14,910</u>

(b) Staff costs:

	<u>Six months ended 30 June</u>	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	12,444	11,265
Termination benefits	42	1,639
Contributions to defined contribution retirement plans	1,010	1,125
	<u>13,496</u>	<u>14,029</u>

(c) Other items:

	<u>Six months ended 30 June</u>	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	119,092	90,005
Depreciation charge:		
– owned property and equipment	253	397
– right-of-use assets	1,079	1,200
Operating lease charges relating to short-term leases and leases of low-value assets	809	1,225
	<u>121,233</u>	<u>93,827</u>

7 Income tax

	<u>Six months ended 30 June</u>	
	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current taxation	—	—
Deferred taxation	—	—
	<hr/>	<hr/>
	<u>—</u>	<u>—</u>

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2023 (six months ended 30 June 2022: 16.5%).

The Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the period from the calendar years from 2022 to 2024 and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

8 Loss per share

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2023 is calculated based on the loss attributable to equity shareholders of the Company of RMB17,563,000 (six months ended 30 June 2022: RMB15,393,000) and the weighted average number of ordinary shares of 1,810,953,000 (six months ended 30 June 2022: 1,810,953,000 ordinary shares) in issue during the six months ended 30 June 2023.

(b) Diluted loss per share

The Group's convertible bonds, share options granted and warrants issued could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive during the six months ended 30 June 2023 and 2022.

9 Property and equipment

(a) Right-of-use assets

During the six months ended 30 June 2023, there was no addition to right-of-use assets (six months ended 30 June 2022: Nil).

(b) Owned property and equipment

During the six months ended 30 June 2023, the Group acquired items of property and equipment with a cost of RMB206,000 (six months ended 30 June 2022: RMB139,000).

10 Trade and other receivables

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade receivables	6,320	5,571
Less: loss allowance	<u>(283)</u>	<u>(141)</u>
	<u>6,037</u>	<u>5,430</u>
Other receivables:		
– Loans to third parties	9,414	9,210
– Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder (Note (i))	100,000	100,000
– Others	<u>2,407</u>	<u>1,702</u>
	111,821	110,912
Less: loss allowance	<u>(9,414)</u>	<u>(9,247)</u>
	<u>102,407</u>	<u>101,665</u>
Financial assets measured at amortised cost	108,444	107,095
Prepayments and deposits	<u>8,644</u>	<u>7,683</u>
	<u>117,088</u>	<u>114,778</u>

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

Note:

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

(a) Ageing analysis

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 3 months	6,022	5,408
Over 3 months but within 6 months	7	14
Over 6 months	<u>8</u>	<u>8</u>
	<u><u>6,037</u></u>	<u><u>5,430</u></u>

11 Cash and cash equivalents

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Cash at bank and on hand	<u><u>23,562</u></u>	<u><u>32,974</u></u>

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

12 Trade and other payables

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Trade payables	9,042	9,440
Payables for staff related costs	1,373	1,153
Payables for miscellaneous taxes	47	42
Payables for selling expenses incurred for digital point business	69	80
Advance from a non-controlling equity shareholder of a subsidiary (Note 10(i))	100,000	100,000
Interest payable to an equity shareholder of the Company	–	4,496
Others	5,646	5,765
	<u>107,135</u>	<u>111,536</u>
Financial liabilities measured at amortised cost	116,177	120,976
Deposits received from business partners in connection with the digital point business	311	431
Contract liabilities	1,544	3,110
	<u>118,032</u>	<u>124,517</u>

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 3 months	8,222	7,918
3 to 6 months	111	949
Over 6 months	709	573
	<u>9,042</u>	<u>9,440</u>

13 Convertible bonds

The Group's convertible bonds are analysed as follows:

	Liability components <i>RMB'000</i>
At 1 January 2022	63,284
Accrued finance charges for the year	24,359
Interest paid	(3,789)
Exchange adjustments	<u>6,681</u>
At 31 December 2022 and 1 January 2023	90,535
Accrued finance charges for the period (Note 6(a))	15,297
Interest paid	(1,926)
Exchange adjustments	<u>3,382</u>
At 30 June 2023	<u><u>107,288</u></u>

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

14 Loans from an equity shareholder of the Company

In 2020, PCL, a subsidiary of the Company, and CIH entered into loan facility agreements (“**Facility Agreements**”), pursuant to which CIH 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 CIH in writing, representing the date upon which the Company is to repay all loans drawn under the Facility Agreements in full. On 2 May 2023, PCL and CIH entered into a supplemental loan facility agreement, pursuant to which both PCL and CIH agreed to extend the term of the loan facility from three years to four years. The Facility Agreements are unsecured with an interest rate of 6.5% per annum applicable to all loans drawn under the Facility Agreements. At 30 June 2023, the outstanding principal of loans drawn under the Facility Agreements is HK\$56,080,000 (equivalent to approximately RMB51,705,000) (31 December 2022: HK\$56,080,000 (equivalent to approximately RMB50,095,000)).

15 Capital, reserves and dividends

(a) Dividends

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

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The Directors did not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

(b) Equity-settled share-based transactions

The Company has a share option scheme which was adopted on 28 June 2010 whereby the Directors are authorised, at their discretion, to invite any full-time or part-time employees, executives, officers or directors (including independent non-executive directors) of the Group and any advisors, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the directors of the Company, will contribute or have contributed to the Group, to take up share options at HK\$1 to subscribe for ordinary shares in the Company.

On 7 August 2018, 72,000,000 share options were granted to a Director under the above share option scheme. All of the share options granted will vest immediately from the date of grant. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK\$1.21 and is settled gross in shares. No option was exercised during the six months ended 30 June 2023 and the options were lapsed on 3 May 2023.

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

	Six months ended 30 June 2023		Year ended 31 December 2022	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at the beginning of the period/year	1.21	72,000,000	1.21	72,000,000
Lapsed during the period/year	1.21	(72,000,000)	1.21	—
Outstanding at the end of the period/year	—	—	1.21	72,000,000
Exercisable at the end of the period/year	—	—	1.21	72,000,000

(c) **Warrants**

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

During the six months ended 30 June 2023, no warrant was exercised (six months ended 30 June 2022: Nil).

16 Fair value measurement of financial instruments

(a) **Financial assets and liabilities measured at fair value**

(i) ***Fair value hierarchy***

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

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

Fair value measurements as at 30 June 2023 categorised into	Fair value measurements as at 31 December 2022 categorised into
Level 1	Level 1
<i>RMB’000</i>	<i>RMB’000</i>

Recurring fair value measurement

Financial assets

– Trading Securities

616	655
------------	------------

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2022: none). The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022.

17 Material related party transactions

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

(a) Transactions with the equity shareholders of the Company

	<u>Six months ended 30 June</u>	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on loans from an equity shareholder of the Company	<u>1,598</u>	<u>1,603</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has capitalised on its years of experience in the e-commerce business, which has enabled the Group to grasp market opportunities and enter the digital points business segment and industry. In the second half of 2017, the Group formed the Changyou digital point business ecosystem alliance (the “**Changyou Alliance**”) with CCB International (Holdings) Limited, China UnionPay Merchant Services Company Limited, Bank of China Group Investment Limited, China Mobile (Hong Kong) Group Limited and China Eastern Airlines Corporation Limited.

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

During the temporary setback since the lifting of pandemic control measures at the beginning of the year, the Group had seized the opportunities in the economic recovery period and tapped into specific scenarios of small-value, high-volume digital points. Leveraging its existing product construction and its established digital traffic as its base, the Group started the exploration of the digital economy marketing alliance.

Although the three-year pandemic has led to an increase in unfavourable factors in the external environment, it has also promoted endogenous innovation. In the first half of 2023, while developing steadily and ensuring a solid business foundation, the Group strove for technological innovation, combined with emerging technologies such as blockchain, data centre, and artificial intelligence, and integrated them into the Group’s SaaS digital points service, target-oriented services, and corporate services. Not only did it support the achievement of the Group’s business goals in the first half of the year, but also lays a solid foundation for subsequent business breakthroughs.

In the first half of 2023, relying on the continuous development of the merchant ecosystem in 2022, the Changyou Platform optimised its products and strengthened its penetration into quality scenarios of software as a service (“**SaaS**”) digital points service, target-oriented service and corporate services, prompting steady growth of the user size and continuous improvement in business revenue and operating profits on a month-on-month basis.

The Changyou Platform has undergone rapid development, with further increases of members and users, more diversified products and services, and optimised business models and consumption scenarios. As at 30 June 2023, the Changyou Platform's total number of registered users was approximately 182.8 million, representing an increase of approximately 32.6 million newly registered users compared to the total number of registered users as at 31 December 2022.

For the Reporting Period, the Changyou Alliance business' total transaction volume and revenue amounted to approximately RMB153.9 million and approximately RMB144.9 million, respectively.

SaaS digital points service

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

The Group connected the four major ecological scenarios, namely audio-visual entertainment, home living, travels and platform owners, online to expand the usage scenarios of user points. The Group also deepened its co-operation with various brands so as to optimise the business process together and enhance the conversion rate and user experience.

By shortening the value chain between consumption scenarios and merchants, the Group reduced the number of benefit sharing entities involved and enhanced the profitability of the Changyou Platform. During the Reporting Period, the Group further optimised its SaaS digital points products. Through the basic point redemption, advertisement exposure, selecting certain promotional benefits, such as supermarket membership and mobile cloud drive, and combining them with the cooperative scenarios of SaaS digital points, the Group aimed at making up for the deficiency of the relatively limited user coverage of the Group's digital point business and increasing user marketing opportunities. In addition, the Group used its best endeavours to exploit small-value, high-volume consumption scenarios, such as public transportation and express delivery counters, to increase the number of use, creating opportunities for subsequent user operations.

Crowd Targeted Services

The Group started building the Changyou community and has gradually invited target customers to join such community, and provided them with targeted services. During the Reporting Period, the Group continued to optimise its public accounts such as Changyou Life public account, Joy with Changyou and Changyou Equity, forming a private domain and public account matrix. The Changyou Platform sorted out its supply chain and introduced various branded products, combining frequently-used benefits and products with high profit margin to increase the overall repurchase rate and profitability of the Changyou Platform. In the first half of 2023, the Group developed supermarket membership benefits for the Changyou general population, and steadily worked with its partners to promote hotel benefit membership, focusing on the creation of special products for private sector operations. In response to the current economic climate, the Group focuses on offering products and services which are value for money, selecting mainstream brands and searching for supply chains with competitive pricing, so as to continuously offer online “outlet stores” to the Changyou Platform users. The Changyou Platform is also connected to various ecosystems such as Xiaohongshu, Douyin and Baidu to build more private domain carriers in addition to WeChat official accounts and WeChat community and to utilise the ecological traffic of all parties. As the peak of the COVID-19 pandemic ebbed at the beginning of the year and cross-border personnel flows gradually returned to normal, the Group targeted at its direct customers to promote cross-border branded goods and services, thereby building a community among the direct customers, which has become the key users of the Changyou Platform.

Corporate Services

The Group provides marketing services for companies through the business ecosystem connected by the Changyou Platform to attract new users and promote user activation. The Group also empowers merchants through the SaaS digital points services from the Changyou Platform, helping merchants to boost transactions from users, thereby increasing their revenue and profits. The Group had collaborated with a number of mainstream platforms of industry verticals. In 2022, the Group built the SaaS platform, through which the Group has tapped into the marketing landscape, charging service fees to corporate merchants and marketing organisations. Building on this, in 2023 the Group began to introduce new technology capabilities such as artificial intelligence and blockchain to diversify its revenue stream from corporate services.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB144.9 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB105.4 million), representing an increase of approximately 37.4% as compared with the corresponding period in 2022. During the six months ended 30 June 2023, the Group rapidly increased the operating income of its existing businesses and accelerated the expansion of new businesses that are closely linked to existing platform resources, users and supply chain resource.

Gross profit

The gross profit of the Group for the six months ended 30 June 2023 amounted to approximately RMB25.8 million (six months ended 30 June 2022: approximately RMB15.4 million). Since 2021, the Company changed its business strategy to provide its products to customers with higher profit margins, leading to an increase in gross profit margin to approximately 17.8% (six months ended 30 June 2022: approximately 14.6%).

Other income

The other income of the Group for the six months ended 30 June 2023 amounted to approximately RMB0.2 million (six months ended 30 June 2022: approximately RMB0.4 million), representing a decrease of approximately 47.8% as compared with the corresponding period in 2022. A detailed breakdown is disclosed in note 5 to the interim financial information as disclosed in this announcement.

Selling and distribution expenses

The selling and distribution expenses of the Group for the six months ended 30 June 2023 increased to approximately RMB3.3 million (six months ended 30 June 2022: approximately RMB3.0 million), representing an increase of approximately 9.5% as compared with the corresponding period in 2022. As the Group's operating and customer service costs directly correlate with its business scale through flexible employment and outsourcing cooperation, the Group's selling and distribution expenses increased with the growth of business.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2023 decreased to approximately RMB14.1 million, as compared to approximately RMB14.7 million for the corresponding period in 2022, representing a decrease of approximately 4.2% as compared with the corresponding period in 2022. During the Reporting Period, the Group continued to strictly control its fixed costs, manpower and administrative expenses, which generally remained stable.

Research and development costs

The research and development costs of the Group for the six months ended 30 June 2023 decreased to approximately RMB5.3 million (six months ended 30 June 2022: approximately RMB6.2 million), representing a decrease of approximately 14.5% as compared with the corresponding period in 2022, which was mainly attributable to the decrease in staff costs for research and development activities during the six months ended 30 June 2023.

Impairment (loss)/gain of trade and other receivables

Impairment loss of trade and other receivables of the Group was approximately RMB0.1 million for the six months ended 30 June 2023 (six months ended 30 June 2022: impairment gain of trade and other receivables of approximately RMB0.3 million).

Finance costs

The Group incurred finance costs of approximately RMB17.7 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB14.9 million), representing an increase of approximately 19.0% as compared with the corresponding period in 2022. The finance costs consist of the net effect of interest expense on convertible bonds and loans from an equity shareholder of the Company, interest expenses on lease liabilities and net foreign exchange loss, the details of which are disclosed in note 6(a) to the interim financial information as disclosed in this announcement.

Taxation

No income tax is provided for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB23.6 million (as at 31 December 2022: approximately RMB33.0 million).

As compared with the position as at 31 December 2022, the Group's cash and cash equivalents decreased by approximately RMB9.4 million, resulting from the net cash outflow from operating activities of approximately RMB45,000 for the six months ended 30 June 2023 (year ended 31 December 2022: approximately RMB7.0 million), the net cash outflow from investing activities of approximately RMB0.1 million for the six months ended 30 June 2023 (year ended 31 December 2022: approximately RMB0.5 million) and the net cash outflow from financing activities of approximately RMB9.4 million for the six months ended 30 June 2023 (year ended 31 December 2022: approximately RMB11.1 million).

As at 30 June 2023, the net current liabilities of the Group amounted to approximately RMB86.1 million (as at 31 December 2022: approximately RMB119.0 million). As at 30 June 2023, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 0.62 (as at 31 December 2022: approximately 0.56).

As at 30 June 2023, the total assets of the Group amounted to approximately RMB146.2 million (as at 31 December 2022: approximately RMB154.4 million) and the total liabilities amounted to approximately RMB281.2 million (as at 31 December 2022: approximately RMB270.2 million). The debt ratio (being total liabilities divided by total assets) as at 30 June 2023 was approximately 1.92 as compared to approximately 1.75 as at 31 December 2022.

As at 30 June 2023, the Group had total borrowings (which consisted of convertible bonds and loans from an equity shareholder of the Company) of approximately RMB159.0 million (as at 31 December 2022: approximately RMB140.6 million). The gearing ratio as at 30 June 2023 (being total borrowings divided by total equity) was -1.18 (as at 31 December 2022: approximately -1.21).

Convertible bonds

In view of the increasing popularity of consumer spending with digital points, the successful experience of the Group in developing the Changyou Platform and the robust performance and growth of the Changyou Platform, the Company issued HK\$126.0 million 3.5% convertible bonds (the “**2020 Convertible Bonds**”) to CIH, the substantial shareholder of the Company. The net proceeds from the issuance of the 2020 Convertible Bonds was intended to be utilised to expand the Digital Points Business into the Hong Kong and overseas markets by developing an additional new digital point electronic platform with Hong Kong and overseas as the target markets (the “**New International Changyou Platform**”).

On 29 July 2020, the Company entered into a subscription agreement with CIH for the issuance of the 2020 Convertible Bonds to CIH. The 2020 Convertible Bonds bear an interest rate of 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 at 30 June 2023, the actual uses of the net proceeds from the issuance of the 2020 Convertible Bonds were as follows:

Usage	Original use of the net proceeds from the issuance of the 2020 Convertible Bonds as disclosed in the circular of the Company dated 17 September 2020	Proposed change in the allocation of the net proceeds from the issuance of the 2020 Convertible Bonds	Revised use of the net proceeds from the issuance of the 2020 Convertible Bonds	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds for the six months ended 30 June 2023	Actual use of the net proceeds from the issuance of the 2020 Convertible Bonds	Estimated timeline for utilisation of the net proceeds from the issuance of the 2020 Convertible Bonds after reallocation
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	
To fund the development of the New International Changyou Platform supported by relevant technology infrastructure which enables effective extraction and development of big data samples, creating a precise and extensive database of consumer transactions and consumption behaviour	25.0	(22.0)	3.0	0.3	1.1	31 December 2023
To fund the set-up of a new team, comprising various departments such as information technology, marketing, and general administration, which is to support the daily operations of the New International Changyou Platform	25.0	(15.0)	10.0	0.7	2.2	31 December 2023
To fund promotional and marketing activities, such as advertising, roadshow promotion, customers bonus rewards, etc., to attract merchants and customers into the New International Changyou Platform and maintain their loyalty and participation	40.0	(40.0)	–	–	–	
As the general working capital of the New International Changyou Platform	10.0	(8.0)	2.0	0.2	0.3	31 December 2023
To fund promotional and marketing activities to attract and maintain customers' loyalty and their participation and consumption of the products and services provided on the existing Changyou Platform in the PRC (the "Existing PRC Changyou Platform")	–	10.0	10.0	–	10.0	31 December 2022
To fund the staff costs and staff related expenses and the development of the technology infrastructure for the Existing PRC Changyou Platform	–	60.0	60.0	–	60.0	31 December 2021
To fund the fixed administrative expenses for the Existing PRC Changyou Platform (excluding promotion and marketing expenses and staff costs and staff related expenses)	–	12.0	12.0	–	12.0	31 December 2021
As the general working capital of the Group	24.4	3.0	27.4	–	27.4	30 June 2022
Total	124.4	–	124.4	1.2	113.0	

Issue of Warrants

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

Upon the fulfilment of certain conditions, the Warrants are exercisable in full or in part at any time between the period commencing on the date that is six months after the date of the issue of the Warrants and ending on the earliest of (i) the date on which all Warrants have been exercised in full; and (ii) the date that is the fifth anniversary date of the issue date of such Warrants. None of the Warrants were exercised during the six months ended 30 June 2023. However, the Company is of the view that CIH has demonstrated continuous support and motivation to improve the Company’s financial performance. CIH will continue to introduce strategic partners to the Group so as to further enhance the performance.

Share options

On 7 August 2018, the Company granted 72,000,000 share options to Cheng Jerome, the chairman and an executive director of the Company. For further details of the transaction, please refer to the announcement of the Company dated 4 May 2018 and the circular of the Company dated 15 June 2018. No option was exercised during the six months ended 30 June 2023 and the 72,000,000 options were lapsed on 3 May 2023.

Property and equipment

As at 30 June 2023, property and equipment were approximately RMB4.8 million (as at 31 December 2022: approximately RMB5.8 million). A detailed breakdown is disclosed in note 9 to the interim financial information as disclosed in this announcement.

Trade and other receivables

Trade and other receivables of the Group as at 30 June 2023 were approximately RMB117.1 million (as at 31 December 2022: approximately RMB114.8 million). A detailed breakdown is disclosed in note 10 to the interim financial information as disclosed in this announcement.

Trade and other payables

Trade and other payables of the Group as at 30 June 2023 were approximately RMB118.0 million (as at 31 December 2022: approximately RMB124.5 million). A detailed breakdown is disclosed in note 12 to the interim financial information as disclosed in this announcement.

Loans from an equity shareholder of the Company

In 2020, PCL and CIH entered into loan facility agreements (the “**Facility Agreements**”), pursuant to which CIH granted loan facilities of HK\$111 million to PCL. The loans are unsecured, with an interest of 6.5% per annum and with a term of 3 years or such later date as may be agreed between PCL and CIH in writing. On 2 May 2023, PCL and CIH entered into a supplemental loan facility agreement, pursuant to which both PCL and CIH agreed to extend the term of the loan facility from three years to four years. As at 30 June 2023, the outstanding principal of loans drawn under the Facility Agreements is approximately HK\$56 million (as at 31 December 2022: approximately HK\$56 million).

Pledged assets

As at 30 June 2023, the Group did not have any pledged assets (as at 31 December 2022: Nil).

Contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (as at 31 December 2022: Nil).

Capital commitment

As at 30 June 2023, the Group had no contracted capital commitments which were not provided in the interim financial information (as at 31 December 2022: Nil).

Employees and remuneration policy

As at 30 June 2023, the Group had 62 employees. For the six months ended 30 June 2023, total staff costs were approximately RMB13.5 million. During the six months ended 30 June 2023, the Group had 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. The Group has entered into facility agreements denominated in HKD. During the six months ended 30 June 2023, the Group did not utilise any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

There were no significant investments held nor material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2023. There was no plan authorised by the board of directors (the “**Directors**”) of the Company (the “**Board**”) for other material investments or additions of capital assets as at the date of this announcement.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

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

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

PROSPECTS

The Changyou Platform is available for the issuance, circulation, payment and settlement of global assets which are able to be tokenised and serves as the gate point for point redemption. Leveraging on the smart business macro environment, the Group makes full use of the channel and customer resources of the Changyou Platform to gain insights into the intrinsic needs of enterprises and build and operate alliance platforms to achieve network synergy and win-win situation.

In the second half of the year, the Group is committed to strengthening the promotion of data marketing, realising joint marketing of privacy computing with the platforms of certain technology companies, and strengthening the promotion of products in the Changyou Alliance, relying on the points scenario and private domain users to gradually increase the proportion of transaction volume. The Group and CIH, the substantial shareholder of the Company, are also pressing ahead with the preparations of the New International Changyou Platform. Each party will contribute its resources to strive for the launch of the New International Changyou Platform in 2023. The Group will focus more and commit more time and resources on the development of the New International Changyou Platform.

In terms of the Group's future business outlook, the Group will gradually expand the scope of cooperation to global level, and progressively develop international businesses with international industry leaders, so as to capture a richer and more diversified source of points, increase the number of users and expand the range of products, services and types of business, as well as more consumption scenarios.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company. During the six months ended 30 June 2023, the Company has applied the principles of and has complied with all code provisions as set forth in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules, save for the deviation as set forth below:

Code Provision C.1.6

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company or other listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed and declared that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

REVIEW ON INTERIM RESULTS

The Audit Committee has reviewed the accounting principles, practices and treatments adopted by the Group and the unaudited interim results of the Group for the six months ended 30 June 2023 with the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company at www.changyou-alliance.com and the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 31 August 2023

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