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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 TRANSACTIONS

(1) THIRD SUPPLEMENTAL 2019 FACILITY AGREEMENT

IN RELATION TO THE GRANT OF 2019 REVOLVING LOAN FACILITY;

AND

(2) SUPPLEMENTAL 2021 FACILITY AGREEMENT

IN RELATION TO THE GRANT OF 2021 REVOLVING LOAN FACILITY

References are made to the Company's announcement dated 3 September 2019 and the Company's circular dated 15 October 2019, each in relation to the grant of the 2019 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.

References are also made to the Company's announcement dated 16 September 2022 and the Company's circular dated 12 October 2022, each in relation to the variation of certain terms of the 2019 Facility Agreement, pursuant to the First Supplemental 2019 Facility Agreement.

References are also made to the Company's announcement dated 18 September 2023 and the Company's circular dated 11 October 2023, each in relation to the variation of certain terms of the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement), pursuant to the Second Supplemental 2019 Facility Agreement.

References are also made to the Company's announcement dated 20 April 2021 and the Company's circular dated 12 May 2021, each in relation to the grant of 2021 Revolving Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly owned subsidiary of the Company, pursuant to the 2021 Facility Agreement.

THIRD SUPPLEMENTAL 2019 FACILITY AGREEMENT

On 30 May 2024 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Third Supplemental 2019 Facility Agreement pursuant to which the parties have conditionally agreed to further vary the terms of the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement). Save for the variations contained in the Third Supplemental 2019 Facility Agreement, the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement) remains in full force and effect and shall be read and construed in conjunction and as one document with the Third Supplemental 2019 Facility Agreement.

SUPPLEMENTAL 2021 FACILITY AGREEMENT

On 30 May 2024 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Supplemental 2021 Facility Agreement, pursuant to which the parties have conditionally agreed to vary the terms of the 2021 Facility Agreement. Save for the variations contained in the Supplemental 2021 Facility Agreement, the 2021 Facility Agreement remains in full force and effect and shall be read and construed in conjunction and as one document with the Supplemental 2021 Facility Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, PCL's entire issued share capital is owned as to 47.23% 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 2019 Revolving Loan Facility and the grant of the 2021 Revolving Loan Facility constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the transactions contemplated under the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement are similar in nature, and both of them were entered into between the Company and PCL, the transactions contemplated under the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement are aggregated for the classification of connected transactions in accordance with Rule 14A.81 and Rule 14A.82 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement, both when calculated individually and when aggregated, exceed 5%, the transactions contemplated under the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement constitute non-exempt continuing connected transactions of the Company, and are subject to the reporting, announcement, circular, Independent Shareholders' approval, 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 (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement; and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement. 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 (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement; and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement. CIH and its associates will abstain from voting at the EGM.

A circular containing, among other things, (a) further information on (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement; (b) a letter from the Independent Board Committee to the Independent Shareholders containing the recommendations in relation to (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement; (d) a notice convening the EGM; and (e) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 June 2024.

BACKGROUND

References are made to the Company's announcement dated 3 September 2019 and the Company's circular dated 15 October 2019, each in relation to the grant of the 2019 Revolving Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly owned subsidiary of the Company, at an interest rate of 6.5% per annum, pursuant to the 2019 Facility Agreement. Under the 2019 Facility Agreement, the 2019 Revolving Loan Facility Repayment Date would be 31 October 2022.

References are also made to the Company's announcement dated 16 September 2022 and the Company's circular dated 12 October 2022, each in relation to the variation of certain terms of the 2019 Facility Agreement pursuant to the First Supplemental 2019 Facility Agreement. Pursuant to the First Supplemental 2019 Facility Agreement, the 2019 Revolving Loan Facility Repayment Date was varied to 31 October 2023.

References are also made to the Company's announcement dated 18 September 2023 and the Company's circular dated 11 October 2023, each in relation to the variation of certain terms of the 2019 Facility Agreement pursuant to the Second Supplemental 2019 Facility Agreement. Pursuant to the Second Supplemental 2019 Facility Agreement, the 2019 Revolving Loan Facility Repayment Date was varied to 31 October 2024.

References are also made to the Company's announcement dated 20 April 2021 and the Company's circular, each in relation to the grant of the 2021 Revolving Loan Facility of up to HK\$100 million to PCL, an indirect non-wholly owned subsidiary of the Company, at an interest rate of 6.5% per annum, pursuant to the 2021 Facility Agreement. Under the 2021 Facility Agreement, the 2021 Revolving Loan Facility Repayment Date would be 30 May 2024.

THIRD SUPPLEMENTAL 2019 FACILITY AGREEMENT

On 30 May 2024 (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Third Supplemental 2019 Facility Agreement pursuant to which the parties have conditionally agreed to further vary the terms of the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and Second Supplemental 2019 Facility Agreement).

The major terms of the Third Supplemental 2019 Facility Agreement are set out below:

Date: 30 May 2024 (after trading hours)

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

Facility Period: The 2019 Revolving Loan Facility Period shall be varied to six years from and including the 2019 Conditions Fulfilment Date, and the 2019 Revolving Loan Facility Repayment Date shall be varied to 31 October 2025.

Interest Rate: The Interest Rate applicable to the outstanding principal amount of the 2019 Revolving Loan Facility Loan shall be as follows:

- a) from and including the Drawdown Date to, but excluding, 31 May 2024, 6.5% per annum; and
- b) from and including 31 May 2024, 8.0% per annum.

Conditions precedent: The obligations of the parties to the Third Supplemental 2019 Facility Agreement are conditional upon the Company having complied with all applicable requirements of the Listing Rules and other regulatory provisions in connection with the Third Supplemental 2019 Facility Agreement and the transactions contemplated thereunder including the Independent Shareholders having approved at the EGM (and with regard to all applicable laws, rules and regulations, including the Codes on Takeovers and Mergers in Hong Kong and the Listing Rules, where applicable) the variations of the 2019 Revolving Loan Facility Period, the 2019 Revolving Loan Facility Repayment Date and the Interest Rate as set forth in the Third Supplemental 2019 Facility Agreement.

If these conditions have not been fulfilled on or before 31 October 2024 or on such later date as may be agreed between the parties to the Third Supplemental 2019 Facility Agreement, then the Third Supplemental 2019 Facility Agreement shall automatically terminate (other than in respect of the surviving provisions). In such event, neither party shall have any claim under the Third Supplemental 2019 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 Third Supplemental 2019 Facility Agreement and such other alterations (if any) as may be necessary to render the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement) consistent with the Third Supplemental 2019 Facility Agreement, the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement) remains in full force and effect and shall be read and construed in conjunction and as one document with the Third Supplemental 2019 Facility Agreement.

Other than the variations of the 2019 Revolving Loan Facility Period, the 2019 Revolving Loan Facility Repayment Date and the Interest Rate, the Board is not aware of any other alterations to the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement).

SUPPLEMENTAL 2021 FACILITY AGREEMENT

On 30 May 2024, (after trading hours), the Company (as lender) and PCL (as borrower) entered into the Supplemental 2021 Facility Agreement, pursuant to which the parties have conditionally agreed to vary the terms of the 2021 Facility Agreement.

The major terms of the Supplemental 2021 Facility Agreement are set out below:

Date: 30 May 2024 (after trading hours)

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

(ii) PCL, as borrower

Facility Period: The 2021 Revolving Loan Facility Period shall be varied to four years from and including the 2021 Conditions Fulfilment Date, and that the 2021 Revolving Loan Facility Repayment Date shall be varied to 30 May 2025.

Interest Rate: The Interest Rate applicable to the outstanding principal amount of the 2021 Revolving Loan Facility Loan shall be as follows:

a) from and including the Drawdown Date to, but excluding, 31 May 2024, 6.5% per annum; and

b) from and including 31 May 2024, 8.0% per annum.

Conditions precedent: The obligations of the parties to the Supplemental 2021 Facility Agreement are conditional upon the Company having complied with all applicable requirements of the Listing Rules and other regulatory provisions in connection with the Supplemental 2021 Facility Agreement and the transactions contemplated thereunder including the Independent Shareholders having approved at the EGM (and with regard to all applicable laws, rules and regulations, including the Codes on Takeovers and Mergers in Hong Kong and the Listing Rules, where applicable) the variations of the 2021 Revolving Loan Facility Period, the 2021 Revolving Loan Facility Repayment Date and the Interest Rate as set forth in the Supplemental 2021 Facility Agreement.

If these conditions have not been fulfilled on or before 31 October 2024 or on such later date as may be agreed between the parties to the Supplemental 2021 Facility Agreement, then the Supplemental 2021 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 2021 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 2021 Facility Agreement and such other alterations (if any) as may be necessary to render the 2021 Facility Agreement consistent with the Supplemental 2021 Facility Agreement, the 2021 Facility Agreement (as amended by the Supplemental 2021 Facility Agreement) remains in full force and effect and shall be read and construed in conjunction and as one document with the Supplemental 2021 Facility Agreement.

Other than the variations of the 2021 Revolving Loan Facility Period, the 2021 Revolving Loan Facility Repayment Date and the Interest Rate, the Board is not aware of any other alterations to the 2021 Facility Agreement.

PROPOSED 2019 REVOLVING LOAN FACILITY ANNUAL CAP

The proposed 2019 Revolving Loan Facility Annual Cap for each financial year during the 2019 Revolving Loan Facility Period shall not exceed HK\$100 million. The proposed 2019 Revolving Loan Facility Annual Cap was determined by reference to the following:

- (i) the maximum principal amount of the 2019 Revolving Loan Facility Loan granted or to be granted by the Company to PCL pursuant to the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement) has never exceeded the annual cap under the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement);
- (ii) the principal amount of the 2019 Revolving Loan Facility Loan granted under the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement) has been fully utilised;

- (iii) the maximum principal amount of the 2019 Revolving Loan Facility Loan has not been increased;
- (iv) the operations and developments of the “Changyou” business of the Group which is conducted through the PCL Group. In order to enable PCL to continue to maintain a sufficient level of liquidity and to avoid the risk of discontinuance of the operations of the PCL Group, it is necessary to extend the 2019 Revolving Loan Facility Period with the proposed 2019 Revolving Loan Facility Annual Cap.

As at the date of this announcement, the 2019 Revolving Loan Facility has been fully utilised and all accrued interest from the 2019 Revolving Loan Facility has been fully settled in accordance with the interest payment under the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement and the Second Supplemental 2019 Facility Agreement).

PROPOSED 2021 REVOLVING LOAN FACILITY ANNUAL CAP

The proposed 2021 Revolving Loan Facility Annual Cap for each financial year during the 2021 Revolving Loan Facility Period shall not exceed HK\$100 million. The proposed 2021 Revolving Loan Facility Annual Cap was determined by reference to the following

- (i) the maximum principal amount of the 2021 Revolving Loan Facility Loan granted or to be granted by the Company to PCL pursuant to the 2021 Facility Agreement has never exceeded the annual cap under the 2021 Facility Agreement;
- (ii) the maximum principal amount of the 2021 Revolving Loan Facility Loan has not been increased; and
- (iii) the operations and developments of the “Changyou” business of the Group which is conducted through the PCL Group. In order to enable PCL to continue to maintain a sufficient level of liquidity and to avoid the risk of discontinuance of the operations of the PCL Group, it is necessary to extend the 2021 Revolving Loan Facility Period with the proposed 2021 Revolving Loan Facility Annual Cap.

As at the date of this announcement, approximately HK\$73.9 million under the 2021 Revolving Loan Facility has been utilised and all accrued interest from the 2021 Revolving Loan Facility has been fully settled in accordance with the interest payment under the 2021 Facility Agreement.

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 digital point business and 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 “**Changyou 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.

The “Changyou” business is the sole operating segment of the Group.

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 47.23% 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. Fin-Tech is a wholly-owned subsidiary of CIH, the substantial shareholder of the Company and is wholly-owned by Ms. Pun Tang. Chance Talent is an indirect wholly-owned subsidiary of CCB International (Holdings) Limited, which is a wholly-owned subsidiary of China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (Stock Code: 939). Easylink is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of China UnionPay Merchant Services Company Limited*(銀聯商務股份有限公司)(“**China UnionPay MSC**”). To the Company’s best knowledge and information, (i) China UnionPay MSC is a company established in the PRC and is owned as to approximately 55.5% by Shanghai Lianyin Venture Investment Company Limited*(上海聯銀創業投資有限公司)(“**Shanghai Lianyin**”) and 22 other corporate shareholders; (ii) Shanghai Lianyin is a company established in the PRC and is a wholly-owned subsidiary of China UnionPay Holding Company Limited*(中國銀聯股份有限公司)(“**China UnionPay Holding**”); (iii) China UnionPay Holding is a company established in the PRC and is owned by 75 corporate shareholders, with the single largest shareholder being China Banknote Printing and Minting Group Company Limited*(中國印鈔造幣集團有限公司)(“**China Banknote Printing and Minting**”), holding approximately 7.0% of its total issued shares; and (iv) China Banknote Printing and Minting is a company established in the PRC and is wholly-owned by The People’s Bank of China, being one of the ministries and commissions under the State Council of the PRC.

Joy Empire is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Bank of China Group Investment Limited, which is in turn a wholly-owned subsidiary of Bank of China Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3988).

Extra Step is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited. China Mobile (Hong Kong) Group Limited is a wholly-owned subsidiary of China Mobile Communications Group Co., Ltd., which is a state-owned enterprise in the PRC.

Eastern E-Commerce is a company established in the PRC and a wholly-owned subsidiary of China Eastern Airlines Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 670).

Zhongjin Qizhi is a limited partnership established in the PRC and a subsidiary of China International Capital Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3908).

Senran Investment is a company incorporated in Hong Kong with limited liability and is ultimately beneficially owned by Ms. Yang Xiangru and Ms. Yuan Beiling, who are third parties independent to the Company and its connected persons (as defined in the Listing Rules).

Save for Treasure Ease and Fin-Tech, the remaining ultimate beneficial owners of PCL are independent third parties to the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE 2019 AND 2021 REVOLVING LOAN FACILITIES

The “Changyou” business is the sole operating segment of the Group which is conducted through the PCL Group. The Group operates the existing “Changyou” platform which targets the PRC market (the “**Existing PRC Changyou Platform**”), and has been developing a new digital point electronic platform which targets the Hong Kong and overseas markets (the “**New International Changyou Platform**”). Both the Existing PRC Changyou Platform and the New International Changyou Platform adopt a similar business model.

With the development of blockchain technology, digital assets have received increasing attention from the industry and transactions by way of digital assets are developing towards better compliance and regulation. Leveraging advanced technologies such as blockchain and big data analysis, the business operations of Changyou Alliance aims to develop a global financial platform for the issuance, circulation, storage and payment settlement of block chain tokenisation of assets.

In 2023, relying on the continuous development of the merchant ecosystem in 2022, the Existing PRC Changyou Platform has continued to optimise its products and strengthen 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. For example, seizing the opportunities in the economic recovery period at the beginning of 2023, the Group has tapped into specific scenarios of small-value, high-volume digital points. At the same time, 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. Going forward, the Group will also continue to develop supermarket membership benefits for the Changyou platform target users, and steadily work with its partners to promote hotel membership benefit, focusing on the creation of special products for private sector operations. The offerings of more diversified products and services and the optimisation of consumption scenarios have led to the steady increase in the number of members and users on the Existing PRC Changyou Platform over the years. As at 30 June 2023, the Existing PRC Changyou Platform’s total number of registered users reached 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 six months ended 30 June 2023, the total transaction volume and revenue of the Changyou Alliance business amounted to approximately RMB153.9 million and approximately RMB144.9 million, respectively. In respect of the New International Changyou Platform, its development has been delayed as a result of the impact of the COVID-19 pandemic on the global economy which has led to disruptions to many businesses across various industries. In 2023, the Group has been pressing ahead with the preparation and the launch of the New International Changyou Platform, including building up business alliances with existing and new business partners from Hong Kong and overseas markets to supply new goods and services for the New International Changyou Platform (such as home appliances, electronic goods, food and beverages, cosmetic and health products, maternity and children’s products, auto accessories, sportswear and equipment, mobile phones, cinema tickets and entertainment, electronic gift cards and coupons, and others), games and entertainment, financial services and other commercial transactions. Users can use digital points, cash, or a combination of both, to purchase goods and services offered on the New International Changyou Platform and the Existing PRC Changyou Platform, or to participate in games, rewards and other entertainment services. The New International Changyou Platform will also allow certain business partners to sell their products in return for an agency fee or commission payable to the Group. The Group will earn revenue from the sales of merchandise goods or relevant services. Going forward, the Group will focus and commit more time and resources on the development of the New International Changyou Platform, and will strive to launch the same in 2024.

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 Existing PRC Changyou Platform and the New International 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; and (iii) to maintain its technology infrastructure and to feature new financial technologies such as blockchain into the Existing PRC Changyou Platform and the New International 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 Existing PRC Changyou Platform and the New International Changyou Platform.

The 2019 Revolving Loan Facility will expire on 31 October 2024. The 2021 Revolving Loan Facility expired on 30 May 2024.

PCL has been considering other financing opportunities in order to meet its financing needs. PCL had approached certain banks and non-banking financial institutions to discuss the feasibility of debt financing in the short term, and had considered the feasibility of other sources of fundraising activities for the development and expansion of the “Changyou” business of the Group in the long term. However, based on the discussions with the relevant banks and non-banking financial institutions, due to PCL’s net liabilities situation as at 31 December 2023 and the prevailing interest rate, it was and is not feasible for PCL to obtain from them 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). PCL has also considered the feasibility of equity financing from private equity firms. However, despite the fact that economic activities are normalising globally post COVID-19 pandemic, the economy is facing macro-financial challenges amid rising interest rates, it is therefore likely that private equity firms will be cautious in making investment decisions, impeding the equity fund raising exercise by PCL. As such, PCL has not approached any private equity firms for the purpose of equity fund raising possibility.

As at the date of this announcement, an aggregate sum of approximately HK\$173.9 million under the 2019 and 2021 Revolving Loan Facilities has been utilised by PCL. In order to enable PCL to continue to maintain a sufficient level of liquidity as required as described above, the Board considers the 2019 and 2021 Revolving Loan Facilities to PCL to be efficient, beneficial and in the interest of PCL and its shareholders as a whole, having considered the infeasibility of other sources of fundraising activities or equity financing as mentioned aforesaid. The Board also considers that the Interest Rate is in line with the rate of interest charged by banks and non-banking financial institutions for lending money.

The 2019 and 2021 Revolving Loan Facilities are 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 2019 and 2021 Revolving Loan Facilities. Having considered (a) the Company's control power over PCL as aforementioned; (b) the release of the tranches of the 2019 and 2021 Revolving Loan Facilities 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 2019 and 2021 Revolving Loan Facilities without additional collateral or guarantee is fair and reasonable.

In order to monitor the drawdown of the 2019 and 2021 Revolving Loan Facilities and mitigate the default risk associated with the 2019 and 2021 Revolving Loan Facilities, 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 balances of the Loans 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 2019 Revolving Loan Facility Annual Cap and the 2021 Revolving Loan Facility 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 balance under the 2019 and 2021 Revolving Loan Facilities is about to reach the aggregate sum under the 2019 Revolving Loan Facility Annual Cap and the 2021 Revolving Loan Facility Annual Cap. In case that the aggregated principal amount of the Loans is expected to exceed the 2019 Revolving Loan Facility Annual Cap and the 2021 Revolving Loan Facility 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 First Supplemental 2019 Facility Agreement, the Second Supplemental 2019 Facility Agreement and the Third Supplemental 2019 Facility Agreement) and the 2021 Facility Agreement (as amended by the Supplemental 2021 Facility Agreement) are carried out pursuant to their respective terms.

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 Third Supplemental 2019 Facility Agreement and the Supplemental 2021 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 47.23% 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 2019 and 2021 Revolving Loan Facilities constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the transactions contemplated under the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement are similar in nature, and both of them were entered into between the Company and PCL, the transactions contemplated under the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement are aggregated for the classification of connected transactions in accordance with Rule 14A.81 and Rule 14A.82 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement Service Agreement, both when calculated individually and when aggregated, exceed 5%, the Third Supplemental 2019 Facility Agreement and the Supplemental 2021 Facility Agreement constitute non-exempt continuing connected transactions of the Company, and are subject to the reporting, announcement, circular, Independent Shareholders' approval, 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 (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement; and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement. 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 (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement; and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement. CIH and its associates will abstain from voting at the EGM.

A circular containing, among other things, (a) further information on (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement, and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement; (b) a letter from the Independent Board Committee to the Independent Shareholders containing the recommendations in relation to (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement, and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement, and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement; (d) a notice convening the EGM; and (e) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 June 2024.

DEFINITIONS

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

- “2019 Conditions Fulfilment Date” the date on which the Company (as lender) was satisfied that all the conditions described in clause 5 of the 2019 Facility Agreement had been fulfilled or specifically waived in writing by the Company, pursuant to the 2019 Facility Agreement
- “2021 Conditions Fulfilment Date” the date on which the Company (as lender) was satisfied that all the conditions described in clause 5 of the 2021 Facility Agreement had been fulfilled or specifically waived in writing by the Company, pursuant to the 2021 Facility Agreement

“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 2019 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
“2019 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 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement, the Second Supplemental 2019 Facility Agreement and the Third Supplemental 2019 Facility Agreement)
“2019 and 2021 Revolving Loan Facilities”	the 2019 Revolving Loan Facility and the 2021 Revolving Loan Facility
“2019 Revolving Loan Facility Annual Cap”	the maximum annual amount in relation to the transactions contemplated under the 2019 Facility Agreement, as required under Rule 14A.53 of the Listing Rules
“2019 Revolving Loan Facility Period”	the six-year period from and including the 2019 Conditions Fulfilment Date
“2019 Revolving Loan Facility Loan”	a loan made or to be made under the 2019 Revolving Loan Facility or the total principal amount outstanding from time to time of the loan(s) advanced to PCL pursuant to the 2019 Revolving Loan Facility under the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement, the Second Supplemental 2019 Facility Agreement and the Third Supplemental 2019 Facility Agreement)
“2019 Revolving Loan Facility Repayment Date”	the date falling on the expiry of the 2019 Revolving Loan 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 2019 Revolving Loan Facility Loan (together with all interest accrued thereon) in full
“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, 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

“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 (as amended by the Supplemental 2021 Facility Agreement)
“2021 Revolving Loan Facility Annual Cap”	the maximum annual amount in relation to the transactions contemplated under the 2021 Facility Agreement, as required under Rule 14A.53 of the Listing Rules
“2021 Revolving Loan Facility Period”	the four-year period from and including the 2021 Conditions Fulfilment Date
“2021 Revolving Loan Facility Loan”	a loan made or to be made under the 2021 Revolving Loan Facility or the total principal amount outstanding from time to time of the loan(s) advanced to PCL pursuant to the 2021 Revolving Loan Facility under the 2021 Facility Agreement (as amended by the Supplemental 2021 Facility Agreement)
“2021 Revolving Loan Facility Repayment Date”	the date falling on the expiry of the 2021 Revolving Loan 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 2021 Revolving Loan Facility Loan (together with all interest accrued thereon) in full
“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 to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Drawdown Date”	the date of the first drawdown of the 2019 Revolving Loan Facility Loan and the 2021 Revolving Loan Facility Loan, as the case may be
“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, (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transaction contemplated under the Third Supplemental 2019 Facility Agreement; and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement
“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
“Fin-Tech”	Fin-Tech Company Limited, a company incorporated in the Cayman Islands with limited liability, and a wholly-owned subsidiary of CIH

“First Supplemental 2019 Facility Agreement”	the 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 certain terms of the 2019 Facility Agreement, the details of which are set out in the Company’s announcement dated 16 September 2022 and the Company’s circular dated 12 October 2022
“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. Ip Wai Lun William and Mr. Chan Chi Keung Alan, established to advise and give recommendations to the Independent Shareholders in relation to (i) the Third Supplemental 2019 Facility Agreement, the proposed 2019 Revolving Loan Facility Annual Cap and the transactions contemplated under the Third Supplemental 2019 Facility Agreement; and (ii) the Supplemental 2021 Facility Agreement, the proposed 2021 Revolving Loan Facility Annual Cap and the transactions contemplated under the Supplemental 2021 Facility Agreement
“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
“Interest Rate”	the interest rate on the outstanding principal amount of the 2019 Revolving Loan Facility Loan and the 2021 Revolving Loan Facility Loan, as the case may be
“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
“Loans”	the 2019 Revolving Loan Facility Loan and the 2021 Revolving Loan Facility Loan
“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
“PRC”	People’s Republic of China
“Second Supplemental 2019 Facility Agreement”	the supplemental facility agreement dated 18 September 2023 and entered into between the Company (as lender) and PCL (as borrower) pursuant to which the parties have agreed to further vary certain terms of the 2019 Facility Agreement (as amended by the First Supplemental 2019 Facility Agreement), the details of which are set out in the Company’s announcement dated 18 September 2023 and the Company’s circular dated 11 October 2023
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 Ms. Yang Xiangru and Ms. Yuan Beiling, 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 2021 Facility Agreement”	the conditional supplemental facility agreement dated 30 May 2024 and entered into between the Company (as lender) and PCL (as borrower) pursuant to which the parties have agreed to further vary certain terms of the 2021 Facility Agreement
“Third Supplemental 2019 Facility Agreement”	the conditional supplemental facility agreement dated 30 May 2024 and entered into between the Company (as lender) and PCL (as borrower) pursuant to which the parties have agreed to further vary certain terms of the 2019 Facility Agreement (as amended by the First Supplemental 2019 Agreement and the Second Supplemental 2019 Agreement)
“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, 30 May 2024

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