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CHANGYOU ALLIANCE GROUP LIMITED

暢由聯盟集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- The revenue of the Group decreased by approximately 29.3% to approximately RMB102.4 million for the six months ended 30 June 2024 (30 June 2023: approximately RMB144.9 million).
- The gross merchandise value of Changyou Alliance business amounted to approximately RMB141.5 million for the six months ended 30 June 2024 (30 June 2023: approximately RMB153.9 million), representing a decrease of approximately 8.1%.
- The gross profit of the Group for the six months ended 30 June 2024 amounted to approximately RMB18.4 million (30 June 2023: approximately RMB25.8 million).
- The Group recorded a loss of approximately RMB8.1 million for the six months ended 30 June 2024 (30 June 2023: approximately RMB14.5 million).
- The basic and diluted loss per share amounted to RMB0.41 cent for the six months ended 30 June 2024 (30 June 2023: RMB0.97 cent).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

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 2024 (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 2024 – unaudited

(Expressed in Renminbi (“**RMB**”))

	Note	Six months ended 30 June	
		2024 RMB’000	2023 RMB’000
Revenue	4	102,429	144,920
Cost of sales		(84,040)	(119,092)
Gross profit		18,389	25,828
Other income	5	365	215
Selling and distribution expenses		(2,126)	(3,264)
Administrative expenses		(14,558)	(14,050)
Research and development costs		(4,032)	(5,257)
Impairment gain /(loss) of trade and other receivables		26	(142)
(Loss)/profit from operations		(1,936)	3,330
Finance costs	6(a)	(6,112)	(17,744)
Loss arising from changes in fair value on trading securities		(35)	(58)
Loss before taxation	6	(8,083)	(14,472)
Income tax	7	–	–
Loss for the period		(8,083)	(14,472)
Attributable to:			
Equity shareholders of the Company		(7,394)	(17,563)
Non-controlling interests		(689)	3,091
Loss for the period		(8,083)	(14,472)
Loss per share			
Basic and diluted (RMB cent)	8	(0.41)	(0.97)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Loss for the period	(8,083)	(14,472)
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>(799)</u>	<u>(4,693)</u>
Total comprehensive income for the period	<u>(8,882)</u>	<u>(19,165)</u>
Attributable to:		
Equity shareholders of the Company	(8,193)	(22,256)
Non-controlling interests	<u>(689)</u>	<u>3,091</u>
Total comprehensive income for the period	<u>(8,882)</u>	<u>(19,165)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property and equipment	9	2,735	3,494
		<u>2,735</u>	<u>3,494</u>
Current assets			
Trading securities		263	296
Inventories		87	87
Trade and other receivables	10	116,815	120,255
Cash and cash equivalents	11	12,947	25,415
		<u>130,112</u>	<u>146,053</u>
Current liabilities			
Trade and other payables	12	124,706	134,104
Lease liabilities		1,769	1,757
Convertible bonds	13	–	114,972
Loans from an equity shareholder of the Company	14	–	50,821
		<u>126,475</u>	<u>301,654</u>
Net current assets/(liabilities)		<u>3,637</u>	<u>(155,601)</u>
Total assets less current liabilities		<u>6,372</u>	<u>(152,107)</u>
Non-current liabilities			
Lease liabilities		417	1,212
Convertible bonds	13	104,572	–
Loans from an equity shareholder of the Company	14	51,183	–
		<u>156,172</u>	<u>1,212</u>
NET LIABILITIES		<u>(149,800)</u>	<u>(153,319)</u>
CAPITAL AND RESERVES			
Share capital	15	117,812	117,812
Reserves		121,084	116,876
Total equity attributable to equity shareholders of the Company		<u>238,896</u>	<u>234,688</u>
Non-controlling interests		<u>(388,696)</u>	<u>(388,007)</u>
TOTAL EQUITY – DEFICIT		<u>(149,800)</u>	<u>(153,319)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – 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 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)/profit 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 and 1 July 2023	117,812	1,263,789	60,502	(9,056)	41,262	(1,225,014)	249,295	(384,264)	(134,969)
Changes in equity for the six months ended 31 December 2023:									
Loss for the period	-	-	-	-	-	(19,999)	(19,999)	(4,145)	(24,144)
Other comprehensive income	-	-	-	5,794	-	-	5,794	-	5,794
Total comprehensive income	-	-	-	5,794	-	(19,999)	(14,205)	(4,145)	(18,350)
Transfer between reserves (Note 15(c))	-	1,290	(1,290)	-	-	-	-	-	-
Effect on equity arising from issuance of shares of a subsidiary under common control	-	-	-	-	(402)	-	(402)	402	-
Balance at 31 December 2023	117,812	1,265,079	59,212	(3,262)	40,860	(1,245,013)	234,688	(388,007)	(153,319)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – 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	RMB'000	RMB'000
Balance at 1 January 2024	117,812	1,265,079	59,212	(3,262)	40,860	(1,245,013)	234,688	(388,007)	(153,319)
Changes in equity for the six months ended 30 June 2024:									
Loss for the period	-	-	-	-	-	(7,394)	(7,394)	(689)	(8,083)
Other comprehensive income	-	-	-	(799)	-	-	(799)	-	(799)
Total comprehensive income	-	-	-	(799)	-	(7,394)	(8,193)	(689)	(8,882)
Transfer between reserves (Note 13)	-	-	(59,212)	-	-	59,212	-	-	-
Issuance of convertible bonds (Note 13)	-	-	12,401	-	-	-	12,401	-	12,401
Balance at 30 June 2024	117,812	1,265,079	12,401	(4,061)	40,860	(1,193,195)	238,896	(388,696)	(149,800)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

(Expressed in RMB)

		<u>Six months ended 30 June</u>	
	<i>Note</i>	2024 RMB'000	2023 RMB'000
Operating activities			
Cash used in operations		(11,350)	(45)
Income tax paid		<u>–</u>	<u>–</u>
Net cash used in operating activities		<u>(11,350)</u>	<u>(45)</u>
Investing activities			
Payments for purchase of property and equipment		(222)	(206)
Interest received		<u>20</u>	<u>58</u>
Net cash used in investing activities		<u>(202)</u>	<u>(148)</u>
Financing activities			
Capital element of lease rentals paid		(800)	(1,039)
Interest element of lease rentals paid		(127)	(217)
Finance costs paid		<u>–</u>	<u>(8,104)</u>
Net cash used in financing activities		<u>(927)</u>	<u>(9,360)</u>
Net decrease in cash and cash equivalents		(12,479)	(9,553)
Cash and cash equivalents at 1 January	<i>11</i>	25,415	32,974
Effect of foreign exchange rate changes		<u>11</u>	<u>141</u>
Cash and cash equivalents at 30 June	<i>11</i>	<u>12,947</u>	<u>23,562</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 2024 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 30 August 2024.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 that is included in the interim financial report 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 2024, the Group had net loss of RMB8,083,000 and net cash used in operating activities of RMB11,350,000, and had net liabilities of RMB149,800,000 as at 30 June 2024. 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 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 provision of the drawdown of the Group’s unused loan facilities with CIH of HK\$54,920,000 (equivalent to approximately RMB50,124,000) which will expire in July and September 2025 and require repayment by then (see Note 14).

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company 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 of the Company 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 returns, 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 amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*

Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*

Amendments to HKAS 1, *Non-current Liabilities with Covenants*

Amendments to HKAS 7 and HKFRS 7, *Supplier Finance Arrangements*

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

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 of the Company consider the above is the only business of the Group, and accordingly, no segment information is presented.

Disaggregation of revenue

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

	<u>Six months ended 30 June</u>	
	2024	2023
	<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	102,429	144,920
– Over time	–	–
	<u>102,429</u>	<u>144,920</u>

5 Other income

	<u>Six months ended 30 June</u>	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	20	58
Government grants	34	3
Others	311	154
	<u>365</u>	<u>215</u>

6 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs:

	<u>Six months ended 30 June</u>	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance charges on convertible bonds (Note 13)	3,566	15,297
Interest expenses on lease liabilities	127	217
Interest expenses on loans from an equity shareholder of the Company	1,710	1,598
	<u>5,403</u>	<u>17,112</u>
Net foreign exchange loss	709	632
	<u>6,112</u>	<u>17,744</u>

(b) Staff costs:

	<u>Six months ended 30 June</u>	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	9,754	12,444
Termination benefits	–	42
Contributions to defined contribution retirement plans	596	1,010
	<u>10,350</u>	<u>13,496</u>

(c) Other items:

	<u>Six months ended 30 June</u>	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories	84,040	119,092
Depreciation charge:		
– owned property and equipment	166	253
– right-of-use assets	794	1,079
Operating lease charges relating to short-term leases and leases of low-value assets	1,199	809
	<u>1,199</u>	<u>809</u>

7 Income tax

	<u>Six months ended 30 June</u>	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current taxation	–	–
Deferred taxation	–	–
	<u>–</u>	<u>–</u>

The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024 (six months ended 30 June 2023: 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 2024 (six months ended 30 June 2023: 15%).

8 Loss per share

(a) Basic loss per share

The basic loss per share for the six months ended 30 June 2024 is calculated based on the loss attributable to equity shareholders of the Company of RMB7,394,000 (six months ended 30 June 2023: RMB17,563,000) and the weighted average number of ordinary shares of 1,810,953,000 (six months ended 30 June 2023: 1,810,953,000 ordinary shares) in issue during the six months ended 30 June 2024.

(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 2024 and 2023.

9 Property and equipment

(a) Right-of-use assets

During the six months ended 30 June 2024, there was no addition to right-of-use assets (six months ended 30 June 2023: Nil).

(b) Owned property and equipment

During the six months ended 30 June 2024, the Group acquired items of property and equipment with a cost of RMB222,000 (six months ended 30 June 2023: RMB206,000).

10 Trade and other receivables

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Trade receivables	5,962	10,723
Less: loss allowance	<u>(207)</u>	<u>(233)</u>
	<u>5,755</u>	<u>10,490</u>
Other receivables:		
– Receivable for issuance of shares of a subsidiary to a non-controlling equity shareholder (Note (i))	100,000	100,000
– Others	<u>3,177</u>	<u>2,781</u>
	103,177	102,781
Less: loss allowance	<u>–</u>	<u>–</u>
	<u>103,177</u>	<u>102,781</u>
Financial assets measured at amortised cost	108,932	113,271
Prepayments and deposits	<u>7,883</u>	<u>6,984</u>
	<u>116,815</u>	<u>120,255</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 2024 RMB'000	At 31 December 2023 RMB'000
Within 3 months	5,474	10,399
Over 3 months but within 6 months	281	85
Over 6 months	–	6
	<u>5,755</u>	<u>10,490</u>

11 Cash and cash equivalents

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at bank and on hand	<u>12,947</u>	<u>25,415</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 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Trade payables	8,456	12,452
Payables for staff related costs	1,082	1,802
Payables for miscellaneous taxes	–	24
Payables for selling expenses incurred for digital point business	–	157
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	3,739	–
Others	5,955	6,442
	<u>110,776</u>	<u>108,425</u>
Financial liabilities measured at amortised cost	119,232	120,877
Deposits received from business partners in connection with the digital point business	251	526
Contract liabilities	5,223	12,701
	<u>124,706</u>	<u>134,104</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 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 3 months	8,129	11,994
3 to 6 months	26	76
Over 6 months	301	382
	<u>8,456</u>	<u>12,452</u>

13 Convertible bonds

The Group's convertible bonds are analysed as follows:

	Liability components <i>RMB'000</i>
At 1 January 2023	90,535
Accrued finance charges for the year	26,952
Interest paid or payable	(3,953)
Exchange adjustments	<u>1,438</u>
At 31 December 2023 and 1 January 2024	114,972
Redemption of convertible bonds	(114,266)
Issuance of convertible bonds	101,576
Accrued finance charges for the period (Note 6(a))	3,566
Interest payable	(2,029)
Exchange adjustments	<u>753</u>
At 30 June 2024	<u>104,572</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.

CB1 matured on 19 October 2023 and CIH did not exercise the conversion rights attached thereto. CIH has confirmed that it would not require the Company to redeem the CB1 in full on the maturity date, and the Company would not be in breach of any terms of the CB1 as a result thereof.

In January 2024, the Company entered into a subscription agreement with CIH pursuant to which the Company will issue convertible bonds with aggregate principal amount of HK\$126,000,000 (“**CB2**”) to CIH, subject to fulfilment of conditions set out in the agreement, including the Company's independent equity shareholders' approval. The CB2 bears interest at 8% per annum and will be due on the date falling three years after the date of issuance. The Company has the right to redeem all or part of CB2 (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. The issuance of CB2 was completed on 23 April 2024 and simultaneously, the CB1 were redeemed and the outstanding amount of the principal under CB1 was set off against all amounts owed by CIH to the Company in respect of the issue price under or in connection with the subscription agreement.

Upon issuance of CB2, CIH can convert CB2 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, not less than 5 business days before the maturity date. The conversion option amounted to RMB12,401,000 is classified as equity component 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 period from 3 years to 4 years. On 30 May 2024, 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 period from 4 years to 5 years. The Facility Agreements are unsecured with an interest rate of (a) 6.5% per annum from and including the drawdown date to, but excluding, 31 May 2024; and (b) 8% per annum from and including 31 May 2024 applicable to all loans drawn under the Facility Agreements. At 30 June 2024, the outstanding principal of loans drawn under the Facility Agreements is HK\$56,080,000 (equivalent to approximately RMB51,183,000) (31 December 2023: HK\$56,080,000 (equivalent to approximately RMB50,821,000)).

15 Capital, reserves and dividends

(a) Dividends

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2023 (2022: Nil).

(b) Equity-settled share-based transactions

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

On 7 August 2018, 72,000,000 share options were granted to a director of the Company under the above share option scheme. All of the share options granted will vest immediately from the date of grant. Each share option gives the holder the right to subscribe for one ordinary share in the Company at HK\$1.21 and is settled gross in shares. The 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 2024		Year ended 31 December 2023	
	Weighted average exercise price <i>HK\$</i>	Number of share options	Weighted average exercise price <i>HK\$</i>	Number of share options
Outstanding at the beginning of the period/year	-	-	1.21	72,000,000
Lapsed during the period/year	-	-	1.21	(72,000,000)
Outstanding at the end of the period/year	-	-	-	-
Exercisable at the end of the period/year	-	-	-	-

(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. The Warrants were lapsed on 18 September 2023.

16 Fair value measurement of financial instruments

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

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

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

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

Fair value measurements at 30 June 2024 categorised into Level 1 RMB'000	Fair value measurements at 31 December 2023 categorised into Level 1 RMB'000
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Recurring fair value measurement

Financial assets		
– Trading Securities	263	296

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (year ended 31 December 2023: 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 2024 and 31 December 2023.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest expenses on loans from an equity shareholder of the Company	1,710	1,598

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

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

In the first half of 2024, building on the merchant ecosystem developed over the years, the Changyou Platform had optimised its products and strengthened its penetration into quality scenarios of software as a service (“**SaaS**”) digital points services, target-oriented service and corporate services, prompting steady growth of the user size.

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 2024, the Changyou Platform’s total number of registered users was approximately 227.9 million, representing an increase of approximately 24.2 million newly registered users compared to the total number of registered users as at 31 December 2023.

For the Reporting Period, the total transaction volume and revenue of the Changyou Alliance business amounted to approximately RMB141.5 million and approximately RMB102.4 million, respectively.

SaaS digital points services

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 access of online and offline merchants in various industries. 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.

By connecting with games, entertainments and movie platforms and other traffic portals online, the Group has expanded the usage scenario of user points. Taking advantage of its existing cooperation with China Mobile, the Group stayed close to users offline, expanding the number of brands of retail chains on the platform and providing services to the community and general public. The Group has also continuously made efforts in expanding its car ownership and travel service scenarios, increasing access to services such as parking, car washing and travel services (such as bus and metro), which lays the foundation for the subsequent target-oriented service. By shortening the value chain between consumption scenarios and merchants, the Group reduced the number of benefit sharing entities involved and maintain the profitability of the Changyou Platform.

Target-oriented services

During the Reporting Period, the Group had continued to re-optimize the public accounts such as Changyou Life public account, Joy with Changyou and Changyou Equity, forming a private domain and public account matrix. Meanwhile, the operation of Changyou Douyin Store and Douyin Local Services has been commenced and is expected to be officially launched in September this year to explore the integration of Changyou membership with Douyin Local Services membership. The Changyou Platform sorted out its supply chain and introduced various branded products, combining frequently-used equity and products with high-profit margins to increase its overall repurchase rate and profitability. The Changyou Platform continued to strengthen its self-developed products, including hotel and supermarket memberships, to drive user activity on the platform. During the Reporting Period, advertising was introduced to the Changyou Platform, and WeChat advertisements were exported to the platform on the basis of the operating channels for users to receive quality free benefits, with a view to gradually diversifying the revenue of the platform.

Corporate Services

The Group provides marketing services for banks, insurance companies and UnionPay through the business ecosystem facilitated by the Changyou Platform to attract new users and promote user activation. As for valet operation, the Group utilises the SaaS digital point services from the Changyou Platform to support the online business of small and micro-merchants and deliver online-to-offline on-site services. The Group had also empowered merchants through the SaaS digital points services from the Changyou Platform, which helped merchants in boosting their user transactions, thereby increasing their revenue and profits. In addition, the Group had collaborated with a number of mainstream platforms across various industry verticals, in particular cross-boundary travel platforms, to realise precise access to users in travel destinations, thereby laying a solid foundation for the subsequent cross-boundary marketing services.

FINANCIAL REVIEW

Revenue

The Group recorded a consolidated revenue of approximately RMB102.4 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB144.9 million), representing a decrease of approximately 29.3% as compared with the corresponding period in 2023. Since costs will be incurred for business partners of Changyou Platform to issue points to their customers, the business partners will implement certain control over the issuance and consumption of points based on their own business conditions in terms of points management. In the context of the unstable economic environment, the revenue decreased due to the impact of business partners compressing the total amount of points used.

Gross profit

The gross profit of the Group for the six months ended 30 June 2024 amounted to approximately RMB18.4 million (six months ended 30 June 2023: approximately RMB25.8 million). The gross profit margin for the six months ended 30 June 2024 was approximately 18.0% (six months ended 30 June 2023: approximately 17.8%) which remained stable as compared with the corresponding period in 2023.

Other income

The other income of the Group for the six months ended 30 June 2024 amounted to approximately RMB0.4 million (six months ended 30 June 2023: approximately RMB0.2 million), representing an increase of approximately 69.8% as compared with the corresponding period in 2023. 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 2024 decreased to approximately RMB2.1 million (six months ended 30 June 2023: approximately RMB3.3 million), representing a decrease of approximately 34.9% as compared with the corresponding period in 2023. 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 decreased with the decline of business.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2024 increased to approximately RMB14.6 million, as compared to approximately RMB14.1 million for the corresponding period in 2023, representing an increase of approximately 3.6% as compared with the corresponding period in 2023. 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 2024 decreased to approximately RMB4.0 million (six months ended 30 June 2023: approximately RMB5.3 million), representing a decrease of approximately 23.3% as compared with the corresponding period in 2023, which was mainly attributable to the decrease in staff costs for research and development activities during the six months ended 30 June 2024.

Impairment gain/(loss) of trade and other receivables

Impairment gain of trade and other receivables of the Group was approximately RMB26,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: impairment loss of trade and other receivables of approximately RMB0.1 million).

Finance costs

The Group incurred finance costs of approximately RMB6.1 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB17.7 million), representing a decrease of approximately 65.6% as compared with the corresponding period in 2023. The finance costs consist of the 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 2024 (six months ended 30 June 2023: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the cash and cash equivalents of the Group amounted to approximately RMB12.9 million (as at 31 December 2023: approximately RMB25.4 million).

As compared with the position as at 31 December 2023, the Group's cash and cash equivalents decreased by approximately RMB12.5 million, resulting from the net cash outflow from operating activities of approximately RMB11.4 million for the six months ended 30 June 2024 (year ended 31 December 2023: net cash inflow of approximately RMB6.9 million), the net cash outflow from investing activities of approximately RMB0.2 million for the six months ended 30 June 2024 (year ended 31 December 2023: approximately RMB0.2 million) and the net cash outflow from financing activities of approximately RMB0.9 million for the six months ended 30 June 2024 (year ended 31 December 2023: approximately RMB14.4 million).

As at 30 June 2024, the net current assets of the Group amounted to approximately RMB3.6 million (as at 31 December 2023: net current liabilities of approximately RMB155.6 million). As at 30 June 2024, the current ratio (being total current assets divided by total current liabilities) of the Group was approximately 1.03 (as at 31 December 2023: approximately 0.48).

As at 30 June 2024, the total assets of the Group amounted to approximately RMB132.8 million (as at 31 December 2023: approximately RMB149.5 million) and the total liabilities amounted to approximately RMB282.6 million (as at 31 December 2023: approximately RMB302.9 million). The debt ratio (being total liabilities divided by total assets) as at 30 June 2024 was approximately 2.13 as compared to approximately 2.03 as at 31 December 2023.

As at 30 June 2024, the Group had total borrowings (which consisted of convertible bonds and loans from an equity shareholder of the Company) of approximately RMB155.8 million (as at 31 December 2023: approximately RMB165.8 million). The gearing ratio as at 30 June 2024 (being total borrowings divided by total equity) was -1.04 (as at 31 December 2023: approximately -1.08).

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 and matured on 19 October 2023.

On 26 January 2024, the Company entered into a subscription agreement with CIH for the issuance of HK\$126.0 million 8% convertible bonds (the “**2024 Convertible Bonds**”) to CIH. The 2024 Convertible Bonds bear an interest rate of 8% per annum and will mature on the date falling three years after the issue date of the 2024 Convertible Bonds. For further details of the transaction, please refer to the announcement of the Company dated 26 January 2024 and the circular of the Company dated 15 March 2024. The issuance of 2024 Convertible Bonds was completed on 23 April 2024.

As at 30 June 2024, 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 2024	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	0.2	1.4	31 December 2024
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	1.0	3.7	31 December 2024
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	0.1	0.5	31 December 2024
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	1.3	115.0	

Property and equipment

As at 30 June 2024, property and equipment were approximately RMB2.7 million (as at 31 December 2023: approximately RMB3.5 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 2024 were approximately RMB116.8 million (as at 31 December 2023: approximately RMB120.3 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 2024 were approximately RMB124.7 million (as at 31 December 2023: approximately RMB134.1 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 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. On 30 May 2024, PCL and CIH entered into a supplemental loan facility agreement, pursuant to which both PCL & CIH agreed to extend the term of the loan period from four years to five years and adjust the interest rate from 6.5% per annum to 8% per annum since 31 May 2024. As at 30 June 2024, the outstanding principal of loans drawn under the Facility Agreements is approximately HK\$56 million (as at 31 December 2023: approximately HK\$56 million).

Pledged assets

As at 30 June 2024, the Group did not have any pledged assets (as at 31 December 2023: Nil).

Contingent liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (as at 31 December 2023: Nil).

Capital commitment

As at 30 June 2024, the Group had no contracted capital commitments which were not provided in the interim financial information (as at 31 December 2023: Nil).

Employees and remuneration policy

As at 30 June 2024, the Group had 62 employees. For the six months ended 30 June 2024, total staff costs were approximately RMB10.4 million. During the six months ended 30 June 2024, 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 2024, 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 2024. 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 (“**Exchangeable Bonds**”), 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. The underlying shares of the 2020 Convertible Bonds are 300,000,000 Shares, currently owned by CIH. The 2020 Convertible Bonds matured on 19 October 2023. On 23 January 2024, CIH and Poly Platinum agree to, among others, extend the maturity date of the Exchangeable Bonds. On 25 January 2024, CIH charged to Poly Platinum its interest in 60,000,000 Shares. Additionally, upon the completion of the issuance of the 2024 Convertible Bonds, CIH charged its interest in the 2024 Convertible Bonds to Poly Platinum. The underlying Shares of the 2024 Convertible Bonds are 300,000,000 Shares.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

PROSPECTS

The Changyou Platform is a global digital asset circulation platform for the issuance, circulation, payment and settlement of tokenised assets and serves as the gate point for point redemption. Leveraging the smart business environment, the Group takes full advantage 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 create a win-win situation.

In 2024, the Group is focusing on expanding its small-value, high-frequency scenarios that are more conducive for points redemption. This strategy aims to enhance the user experience and increase opportunities for repeat purchases and user reach. The Group will strive to obtain more point sources from different industries, implement universal redemption, revitalise various types of bonus points, and strengthen the positioning of the alliance of bonus points from different industries. The Group will further optimise its SaaS point products, from basic bonus point redemption and advertisement exposure to vertical in-depth cooperation with business scenes, and improve the combination of platform promotion and scene flow. The promotion of the Group's business will rely on the traffic of its integrated SaaS point business and the fostering of greater cooperation with other industries to promote the innovative products of the Changyou Platform and further consolidate its foundation and user experience. The introduction of artificial intelligent customer service and the creation of a money-saving assistant in Changyou Life, will on the one hand allow users to experience the use of the big model of artificial intelligence, and on the other hand, allow the Group to deliver differentiated customer service, and also provide the technical capability for the conversion and retention of users. At the same time, the Group will increase the number of extension platforms for the Changyou private domain and explore the interaction and integration between such other platforms and the Changyou ecosystem. This will help to overcome the Changyou Platform's current limitation of reading its growing users through a single platform. The Group will continue to build the infrastructure of its open platform and adhere to the principle of mutually beneficial and win-win cooperation with the goal centred around enhancing platform stickiness and realising multi-dimensional revenue. In addition to in-depth cooperations with commercialised scenarios, the Group will continue to strengthen marketing connections with banks, payment institutions and insurance companies, and make use of the resources of the scenarios to support the acquisition of customers and activities of financial institutions, thereby increasing the Group's revenues.

Looking ahead, by developing the New Changyou International Platform, gradually expanding the scope of cooperation to a global level, the Group aims to capture a richer and more diversified source of points, increase the number of users and expand the range of products, services and types of business, as well as more consumption scenarios.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible 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 optimise returns for the shareholders of the Company. During the six months ended 30 June 2024, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 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 Ms. Hu Qing were not able to attend the annual general meeting of the Company held on 21 June 2024 due to their other commitments.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares or other listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiries have been made with all Directors, and all Directors have declared and confirmed that, during the six months ended 30 June 2024, they were in compliance with the Model Code.

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 2024 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 2024 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, 30 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Cheng Jerome and Mr. Yuan Weitao; the non-executive Directors of the Company are Ms. Hu Qing and Ms. Liu Jingyan; 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.