iDreamSky Technology Holdings Limited
创梦天地科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1119

INTERIM REPORT 2019

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Corporate Information

Board of Directors

Executive Directors

Mr. Chen Xiangyu *(Chairman of the Board and Chief Executive Officer)*
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Lei Junwen

Non-executive Directors

Mr. Ma Xiaoyi
Mr. Du Feng

Independent Non-executive Directors

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining

Audit Committee

Mr. Zhang Weining *(Chairman)*
Mr. Du Feng
Ms. Yu Bin
Mr. Li Xintian

Remuneration and Appraisal Committee

Ms. Yu Bin *(Chairman)*
Mr. Jeffrey Lyndon Ko
Mr. Lei Junwen
Mr. Li Xintian
Mr. Zhang Weining

Nomination Committee

Mr. Chen Xiangyu *(Chairman)*
Mr. Guan Song
Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining

Strategy Committee

Mr. Chen Xiangyu *(Chairman)*
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Lei Junwen
Mr. Ma Xiaoyi
Mr. Zhang Weining

Authorized Representatives

Mr. Lei Junwen
Ms. Leung Suet Lun

Joint Company Secretaries

Mr. Zhang Heng
Ms. Leung Suet Lun

Legal Advisor

As to Hong Kong law:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Compliance Advisor

SPDB International Capital Limited
Suites 3207–3212, One Pacific Place
88 Queensway
Hong Kong

Registered Office

The offices of Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman KY1–1104
Cayman Islands

Headquarter

A3–16
Kexing Science Park
Nanshan District
Shenzhen
PRC

Principal Place of Business in Hong Kong

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Principal Share Registrar

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman
KY1–1102, Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Shanghai Pudong Development Bank
Shenzhen Zhongxinqu Branch
1/F and 2/F, Block B, International Chamber
of Commerce Building
1 Fuhua Road
Futian District
Shenzhen
China

Shanghai Pudong Development Bank
Shanghai Lujiazui Branch
Ground floor, Tangceng Finance Building
710 Dongfang Road
Pudong New District
Shanghai
China

China Merchants Bank Shenzhen Keyuan Branch
Ground floor, Yanxiang Technology Building
31 High-tech Zhongsi Road
Nanshan District
Shenzhen
Guangdong Province
China

Company's Website

http://www.idreamsky.com/

Stock Code

1119

Date of Listing

December 6, 2018

Financial Highlights

	Six months ended June 30,		
	2019	2018	Period on period
	RMB'000	*RMB'000*	%
	(Unaudited)	(Audited)	
Revenue	**1,431,303**	1,073,838	33.3
Gross profit	**675,603**	423,173	59.7
Profit before income tax	**232,875**	120,193	93.8
Profit for the period	**210,237**	99,416	111.5
Adjusted profit for the period (unaudited)*	**312,104**	150,963	106.7

* To supplement our unaudited consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit for the period as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit for the period was derived from our profit for the period excluding share-based compensation expenses, listing expenses, fair value gains or losses on financial assets, impairment provision of goodwill resulting from a business combination and gain from the reversed of the unpaid consideration payables from a business combination, if any.

On behalf of the Board of the Company, I am pleased to announce the interim results of the Group for the six months ended June 30, 2019 for Shareholders' review.

OVERVIEW

We are an integrated online-offline entertainment platform with a leading position in game publishing market in China with 130.1 million average MAUs for the six months ended June 30, 2019.

We operate games as a service. We adopt a free-to-play model for substantially all of our games, constantly enrich content offerings and in-game social functions to users and generate revenue from sales of in-game virtual items whereby we prolong game life cycle and enhance user engagement and online advertising services to achieve monetization. We have also expanded our service offerings to other digital entertainment areas, such as e-sports, comics and video.

For the six months ended June 30, 2019 and in the foreseeable future, game revenue continued and will continue to be the most significant component in our total revenues, and we expect our revenue generated from other digital entertainment services will also continue to grow.

In addition, by cooperation with Tencent, Sony, JD.COM and other enterprises, we consistently deliver digital entertainment content and service offerings to improve user's experience and build a digital entertainment platform.

RESULTS HIGHLIGHTS

For the six months ended June 30, 2019, we achieved 33.3% period-on-period growth in our revenue. Game revenue and information service revenue were the key drivers for the overall revenue growth.

Operating profit grew by 92.4% period-on-period. Operating margin for the first half of 2019 was 17.8%, representing an increase of 5.5 percentage points from the six months ended June 30, 2018.

Profit for the period of six months ended June 30, 2019 increased by 111.5% period-on-period. Adjusted net profit for the period of six months ended June 30, 2019 increased by 106.7%.

Our average MAUs increased from 128.9 million for the six months ended June 30, 2018 to 130.1 million for the six months ended June 30, 2019. For the first half of 2019, our average MPUs decreased from 6.7 million to 5.8 million as compared to the first half of 2018, and our monthly ARPPU increased from RMB23.8 to RMB31.7 for the six months ended June 30, 2019.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2019, the Company made progress against the challenging business environment. Based on our observation of the gaming market, we noted the number of online games approved for publication has been further regulated, the market has been further refined, and the industry has entered into a healthier growth stage.

1. Company Business Highlights

For the six months ended June 30, 2019, our growth has been driven by our philosophy of *iDreamSky Flywheel (創夢飛輪)*, which represents a self-spinning and reinforcing growth cycle empowered by each of the accelerating components.

— ***Continuously offer high quality digital contents to users***

High quality contents are the core of our growth philosophy. We strived to offer a wide variety of high quality contents, such as games, comics, animation and TV play to our users.

— **High quality games.** We actively cooperate with domestic and overseas well-known content providers, with game products in a variety of selected genres. As of June 30, 2019 we had 57 games, including 16 role-playing games, six matching puzzle games, 12 casual competition games, six endless running games and 17 other games. In the first half of this year, high-quality titles still dominate the new product layout, such as the sports game *FIFPro World Players' Union (全民冠軍足球)*, MMORPG game *Decisive Battle against Marfa (決戰瑪法)* and other products popular among different player groups. In terms of self-development, the overseas version of the self-developed game *Cross Gate (Mobile version) (魔力寶貝(手機版))* has been published in Southeast Asia, Hong Kong, Macau and Taiwan in 2019. In the second half of 2019, we will unveil more self-developed games including *Rakshasa Street (鎮魂街)*, *DreamWorks Adventure (夢工場大冒險)* and *Art of War 3 (全球行動)* etc.

— **Other digital contents.** With the diversified forms of digital contents, we simultaneously develop other core businesses, namely, comics, animation, TV play and interactive story in the digital contents segment.

— **Hyper casual games.** In 2019, we cooperate with several platforms, such as WeChat, mobile QQ, and Douyin, to publish and operate hyper casual games.

— ***Enhance user stickiness and engagement through user services both online and offline***

We established *Great Moments Voyage (好時光影遊社)*, a brand of offline experiential store, in cooperation with Tencent to build an online and offline destination for entertainment around the clock. As of June 30, 2019, we have 16 *Great Moments Voyage* experiential stores in China with two self-operated stores and 14 other stores through cooperation with local partners. It integrates movies, games, e-sports and game related merchandise, and diversifies immersive experience to users. This not only capitalizes on the enormous online resources and fan base to the offline but also realizes consumption through interactive and immersive entertainment facilities. We managed to convert users to our online members by way of offline operational activities, and to accumulate the numbers of our members through WeChat Mini Programs and WeChat Official Account.

— ***Strengthening the strategic investment and collaboration deployment, connecting industrial resources, and developing the digital entertainment platform comprehensively***

In 2019, we further reinforces our strategic investment into or collaboration layout with various companies within the digital entertainment ecosystem. By extensively connecting industrial resources, such as via cooperation with Tencent and Sony, we are able to consistently deliver rich and diversified digital entertainment content and service offerings to improve users' experience.

2. Outlook

Our mission is to deliver joy to our users. We see great upward potential for the digital entertainment market, both online and offline. We will continue to provide users with high quality contents, continuously enhance our self-development capabilities, further develop in-depth user service system, and improve commercialization capabilities, through our philosophy of *iDreamSky Flywheel (創夢飛輪)*.

Mobile gaming is a fast-growing area in interactive online entertainment industry, with major growth drivers being paying ratio and ARPPU. The paying ratio and ARPPU for mobile games in China are expected to increase, as users' willingness to pay tends to keep rising in the future, supported by the ever-improving quality and attractiveness of mobile games, improving convenience of payment, increasing disposable income, as well as more generation Z users getting involved, and etc.

Meanwhile as we continue to publish games licensed from top tier content providers, our focus will especially be placed on strengthen our self-development capabilities. Game revenue derived from self-developed games accounted for 44.1% of the Group's total game revenue for the six months ended June 30, 2019.

Our Company is also actively seeking potential targets for merger and acquisition to expand our business in the online gaming sector, more particularly to find game developers who can supplement the platform with strong development capabilities and pipelines, to continuously provide our users with high quality contents, and lower the content costs.

Global expansion has always been one of the Company's important growth strategies. In the first half of 2019, the overseas version of the self-developed game *Cross Gate (Mobile version) (魔力寶貝(手機版))* has been published in Southeast Asia, Hong Kong, Macau and Taiwan. In early second half of 2019, we have also entered into a strategic cooperation with MGL MAIL.RU EQUITY LIMITED, a subsidiary of one of Russia's largest internet company MAIL. RU GROUP LIMITED, to jointly explore the global market. We see great potential in overseas markets, especially those in developing countries and areas, such as Southeast Asia, and we plan to accelerate the layout in these markets.

We will also strive to expand ways of monetization through initiatives in hyper casual games and mini games, in-game advertising, more offline experiential stores, etc.

We will continue to improve and diversify offline immersive experience, enrich types of offline entertainment with high quality contents and premium IPs, and increase the number of our stores, particularly through cooperation.

Looking further down the road, we are quite sanguine about the prospects of digital entertainment industry. We believe that 5G wireless networks will provide a new possibility where users are able to have access to games wherever and whenever, with any device and network. Moreover, with the thriving development of the digital entertainment industry in China, there will be growing opportunities for us. We will strive to deliver healthy mid-term and long-term financial performance to the shareholders of the Company.

APPRECIATION

On behalf of the Board, I would like to take the opportunity to thank the management of the Group and all our staff for their hard work. I would also like to extend my sincere gratitude to our Shareholders, business partners and stakeholders for their continued support.

Chen Xiangyu
Chairman
Hong Kong, August 29, 2019

The following table sets forth the comparative figures for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenues	**1,431,303**	1,073,838
Cost of revenues	**(755,700)**	(650,665)
Gross profit	**675,603**	423,173
Selling and marketing expenses	**(131,154)**	(131,178)
General and administrative expenses	**(126,410)**	(101,083)
Research and development expenses	**(95,641)**	(54,389)
Net impairment losses on financial assets and contract assets	**(28,555)**	(10,507)
Other income	**16,936**	6,319
Other gains/(losses), net	**(50,955)**	2,934
Fair value losses on financial assets at fair value through profit or loss	**(5,141)**	(2,915)
Operating profit	**254,683**	132,354
Finance income	**1,140**	15,128
Finance costs	**(22,695)**	(27,817)
Finance cost, net	**(21,555)**	(12,689)
Share of net (losses)/profits of investments accounted for using the equity method	**(253)**	528
Profit before income tax	**232,875**	120,193
Income tax expense	**(22,638)**	(20,777)
Profit for the period	**210,237**	99,416
Adjusted profit for the period (unaudited)	**312,104**	150,963

Revenue

Revenue increased by 33.3% from RMB1,073.8 million for the six months ended June 30, 2018 to RMB1,431.3 million for the six months ended June 30, 2019 on a period-on-period basis. The following table sets forth our revenues by line of business for the six months ended June 30, 2019 and 2018, respectively.

	Six months ended June 30,			
	2019		2018	
	RMB'000 **(Unaudited)**	***%***	*RMB'000* (Audited)	*%*
Game revenue	**1,261,360**	**88.1**	951,652	88.6
Information service revenue	**160,496**	**11.2**	119,654	11.2
Other revenue	**9,447**	**0.7**	2,532	0.2
	1,431,303	**100.0**	1,073,838	100.0

- **Game revenue**. The largest portion of revenues is derived from our games, which contributed 88.1% and 88.6% of our total revenue for the six months ended June 30, 2019 and 2018, respectively. The increase in game revenue from RMB951.7 million for the six months ended June 30, 2018 to RMB1,261.4 million for the six months ended June 30, 2019 was primarily due to the solid performance of our high-grossing games, including *Cross Gate (Mobile version) (魔力寶貝 (手機版)), FIFPro World Players' Union (全民冠軍足球), Gardenscapes (夢幻花園)* and *Homescapes (夢幻家園).*

  The following table summarizes our key operating data of game publishing and operating for the six months ended June 30, 2019 and 2018, respectively:

	Six months ended June 30,	
	2019	2018
Average MAUs *(million)*	**130.1**	128.9
Average MPUs *(million)*	**5.8**	6.7
Average ARPPU *(RMB)*	**31.7**	23.8

* Our key operating metrics included data from all games published and operated by us. During the six months ended June 30, 2019, *Cross Gate (Mobile version) (魔力寶貝(手機版))* and *FIFPro World Players' Union (全民冠軍足球)* were the only two games not published or operated by us, which were published and operated by Tencent.

- **MAUs**. Our average MAUs slightly increased from 128.9 million for the six months ended June 30, 2018 to 130.1 million for the six months ended June 30, 2019, which was primarily contributed by the popularity of mobile games we offered.

- **MPUs**. Our average MPUs decreased from 6.7 million for the six months ended June 30, 2018 to 5.8 million for the six months ended June 30, 2019. The reason for the decrease in our average MPUs is that some of the in-app-purchase (IAP) paying was replaced with incentive advertisements in some casual games (such as *Subway Surfers* and *Temple Run 2*, etc.), resulting in a decline in the number of IAP paying users for these games compared to the corresponding period of last year.

- **Monthly ARPPU**. Our monthly ARPPU increased from RMB23.8 for the six months ended June 30, 2018 to RMB31.7 for the six months ended June 30, 2019, primarily due to the launch of more mid-and hardcore games which could generate higher ARPPU.

- **Information service revenue**. Our information service revenue is primarily derived from our in-game advertising services. The increase in information service revenue from RMB119.7 million for the six months ended June 30, 2018 to RMB160.5 million for the six months ended June 30, 2019 was primarily the result of (i) our increased in-game advertisement slots; and (ii) the higher rates charged to advertisers or advertising agents.

- **Other revenue**. Other revenue increased from RMB2.5 million for the six months ended June 30, 2018 to RMB9.4 million for the six months ended June 30, 2019. Our other revenue is primarily derived from (i) our fund management fees; (ii) revenue generated from Great Moments Voyage.

Cost of revenue

Our cost of revenue increased by 16.1% from RMB650.7 million for the six months ended June 30, 2018 to RMB755.7 million for the six months ended June 30, 2019. The increase primarily reflected greater channel costs and revenue share to content providers in line with the growth of our revenue.

As a percentage of revenue, cost of revenue decreased to 52.8% for the six months ended June 30, 2019 from 60.6% for the six months ended June 30, 2018. The decrease was primarily due to (i) the decrease in our payment channel costs, resulting from an increased proportion of payment processed through third-party payment channels, which typically charge lower payment processing fees as compared to mobile carriers, and (ii) more game revenue being recognized on a net basis and with higher gross margin.

Selling and marketing expenses

Our selling and marketing expenses remained stable at RMB131.2 million for the six months ended June 30, 2018 and 2019. As a percentage of revenue, our selling and marketing expenses decreased from 12.2% for the six months ended June 30, 2018 to 9.2% for six months ended June 30, 2019. The decrease was primarily due to a decrease in promotion and advertising expenses as we made our advertisement more accurately and intelligently and thereby lowering user acquisition cost in 2019.

General and administrative expenses

Our general and administrative expenses increased by 25.1% from RMB101.1 million for the six months ended June 30, 2018 to RMB126.4 million for the six months ended June 30, 2019. The increase was primarily due to an increase in our employee benefits expenses, resulting from an increase in share-based compensation expenses. As a percentage of revenue, our general and administrative expenses decreased from 9.4% for the six months ended June 30, 2018 to 8.8% for the six months ended June 30, 2019, resulting from our increasing management efficiency.

Research and development expenses

Our research and development expenses increased by 75.8% from RMB54.4 million for the six months ended June 30, 2018 to RMB95.6 million for the six months ended June 30, 2019. As a percentage of revenue, our research and development expenses increased from 5.1% for the six months ended June 30, 2018 to 6.7% for the six months ended June 30, 2019. The increase was primarily due to our increased in-house game development expenses as we launched several game development projects in the first half of this year.

Other losses, net

We incurred net other losses of RMB51.0 million for the six months ended June 30, 2019, compared with net other gain of RMB2.9 million for the six months ended June 30, 2018. Net other losses for the six months ended June 30, 2019 primarily derived from impairment provision of goodwill of RMB350.1 million arising from our acquisition of 70% equity interests in Shanghai Huohun (上海火魂網絡科技有限公司) in August 2018, offsetting the gain of RMB294.9 million from the reversal of the unpaid consideration payables for the acquisition of Shanghai Huohun.

Income tax expense

Income tax expense increased by 9.0% from RMB20.8 million for the six months ended June 30, 2018 to RMB22.6 million for the six months ended June 30, 2019 on a period-on-period basis. The increase was mainly due to the increase in profit before income tax.

Profit for the period

For the six months ended June 30, 2019, our profit for the period amounted to RMB210.2 million, representing an increase of approximately RMB110.8 million or 111.5% compared to RMB99.4 million for the six months ended June 30, 2018.

Other Financial Information

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Adjusted profit for the period[(1)]	**312,104**	150,963
EBITDA[(2)]	**336,625**	195,955
Adjusted EBITDA[(3)]	**438,492**	247,502

Notes:

(1) Adjusted profit for the period was derived from our profit for the period excluding share-based compensation expenses, listing expenses, fair value gains or losses on financial assets, impairment provision of goodwill resulting from a business combination and gain from the reversal of the unpaid consideration payables from a business combination, if any.

(2) EBITDA is net income or loss before interest, taxes, depreciation and amortization.

(3) Adjusted EBITDA is calculated using adjusted profit for the period, adding back depreciation of property and equipment, amortization of intangible assets, income tax expense and interest expenses.

Non-IFRS Financial Measure

To supplement the consolidated financial statements of the Group prepared in accordance with IFRS, the three non-IFRS measures, namely adjusted profit for the period, EBITDA and adjusted EBITDA, as additional financial measures, have been presented in this interim results announcement. These unaudited non-IFRS financial measures are used by management of the Company to evaluate the Company's financial performance by eliminating the impact of items that they consider not indicative of the Company operating performance and should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information regarding the Group's financial performance to investors and shareholders of the Company. The Company's management also believes that the non-IFRS measures are appropriate for evaluating the Group's operating results and the relevant trends relating to its financial position. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2019 and 2018 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reconciliation of profit for the period to adjusted profit for the period:		
Profit for the period	**210,237**	99,416
Add: Fair value losses on financial assets at fair value through profit or loss	**5,141**	2,930
Add: Share-based compensation expenses	**41,503**	27,959
Add: Listing expenses	**—**	20,658
Add: Impairment provision of goodwill resulting from a business combination	**350,134**	—
Less: Gain from the reversal of the unpaid consideration payables from a business combination	**(294,911)**	—
Adjusted profit for the period	**312,104**	150,963

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reconciliation of profit for the period to EBITDA and adjusted EBITDA:		
Profit for the period	**210,237**	99,416
Add: Depreciation of property and equipment and right-of-use assets	**16,049**	4,286
Add: Amortization of intangible assets	**65,006**	43,659
Add: Income tax expense	**22,638**	20,777
Add: Interest expense	**22,695**	27,817
EBITDA	**336,625**	195,955
Add: Fair value losses on financial assets at fair value through profit or loss	**5,141**	2,930
Add: Share-based compensation expenses	**41,503**	27,959
Add: Listing expenses	**—**	20,658
Add: Impairment provision of goodwill resulting from a business combination	**350,134**	—
Less: Gain from the reversal of the unpaid consideration payables from a business combination	**(294,911)**	—
Adjusted EBITDA	**438,492**	247,502

Liquidity and Financial Resources

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position.

As at June 30, 2019, the Group's total cash and cash equivalents decreased by 57.8% to approximately RMB473.1 million from approximately RMB1,121.6 million as at December 31, 2018. The decrease in total cash and cash equivalents during the period under review was primarily resulted from the repayment of borrowings and payment for investments and purchase of intangible assets. Our cash and cash equivalents were primarily denominated in RMB, HKD and USD.

As at June 30, 2019, the Group's total bank borrowings amounted to approximately RMB996.8 million (December 31, 2018: RMB1,114.2 million). As at June 30, 2019, the RMB-denominated bank borrowings accounted for approximately 47.0% (December 31, 2018: 52.2%) of the Group's total bank borrowings. Among the Group's total bank borrowings as at June 30, 2019, a substantial portion of approximately 89.9% (December 31, 2018: 88.3%) would be due within one year.

As at June 30, 2019, the current assets of the Group amounted to approximately RMB3,022.6 million, and the current liabilities of the Group amounted to approximately RMB1,614.1 million. As at June 30, 2019, the current ratio (being the current assets to current liabilities ratio) of the Group was 1.87 as compared with 1.42 as at December 31, 2018.

Debt ratio is calculated based on our total liabilities as at the respective date divided by our total assets as at the same date. As at June 30, 2019, the debt ratio of the Group was 32.2% as compared with 43.4% as at December 31, 2018.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and amount due to related parties less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As at December 31, 2018, and June 30, 2019, the gearing ratio of the Group is 0.43% and 14.73% respectively.

Pledge of Assets

Among the total bank borrowings of the Group as at June 30, 2019, approximately RMB776.8 million (December 31, 2018: RMB918.2 million) were secured, which accounted for approximately 77.9% (December 31, 2018: 82.4%) of the Group's total borrowings.

Contingent Liabilities

As at June 30, 2019, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (December 31, 2018: nil).

Capital Expenditure

For the six months ended June 30, 2019, our total capital expenditure was approximately RMB377.3 million, compared to RMB183.1 million for the six months ended June 30, 2018. Our capital expenditure primarily included expenditures for royalty fees paid to game developers, land use right and purchase of property, plant and equipment. We plan to fund our capital expenditures through a combination of operating cash flows and the IPO Proceeds. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

Material Acquisitions and Significant Investments

The Group did not have any material acquisitions or significant investment during the six months ended June 30, 2019.

Foreign Exchange Risk Management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, HKD and USD. Therefore, foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of our Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

We did not hedge against any fluctuations in foreign currency during the six months ended June 30, 2019 and 2018, respectively.

Employee and Remuneration Policy

We had 838 and 703 full-time employees as at June 30, 2019 and December 31, 2018, respectively. Substantially all of our employees are based in the PRC.

Our success depends on our ability to attract, retain and motivate qualified personnel. We offer our employees competitive compensation packages and a collegial and creative working environment, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We compensate our employees with basic salaries, performance-based bonuses and share-based incentives.

Other information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code during the six months ended June 30, 2019. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate, and should not be performed by the same individual.

Mr. Chen Xiangyu is concurrently the Chairman of the Board and the Chief Executive Officer of the Company. However, due to Mr. Chen Xiangyu's background, qualifications and experience in the Company, he is considered to be the most suitable person to take both roles under the current circumstances. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Chen Xiangyu holds both positions at the current stage, as it helps to maintain the continuity of the policies and the efficiency and stability of the operations of the Company.

Besides, all major decisions of the Board have been made in consultation with members of the Board and appropriate committees, as well as the senior management team. In addition, Directors are encouraged to participate actively in all meetings of the Board and of such committees of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the senior management team to provide adequate, accurate, clear, complete and reliable information to members of the Board in a timely manner. Further, the Board meets with Mr. Chen Xiangyu regularly to discuss issues relating to the operation of the Company.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Chen Xiangyu holding both positions of Chairman of the Board and Chief Executive Officer of the Company will not have any impact on the balance between power and authority.

Saved as disclosed above, the Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2019. The Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period for the six months ended June 30, 2019.

INTERIM DIVIDEND

The Board did not propose any interim dividend for the six months ended June 30, 2019.

AUDIT COMMITTEE

The Board has established an Audit Committee, which currently consists of all three independent non-executive Directors, namely Mr. Zhang Weining (Chairman of the Audit Committee), Ms. Yu Bin and Mr. Li Xintian, and one non-executive Director, Mr. Du Feng. The primary duties of the Audit Committee are, among other things, to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee has reviewed and discussed the Group's unaudited consolidated financial statements for the six months ended June 30, 2019 and has met with the Auditor who have reviewed the interim financial statements in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

CHANGES TO DIRECTORS' INFORMATION

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the six months ended June 30, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period for the six months ended June 30, 2019, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF IPO PROCEEDS

The IPO Proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange were approximately HKD776.4 million. During the six months ended June 30, 2019, the IPO Proceeds from the listing were utilized in accordance with the intended purposes as set out in the Prospectus, with the balance amounted to approximately HKD390.4 million. The balance of IPO Proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. Details are set out in the following table:

	Net amount available as at December 31, 2018 *HKD million*	**Actual net amount utilized during the six months ended June 30, 2019** *HKD million*	**Unutilized amount as at June 30, 2019** *HKD million*
Expansion of our game portfolio and enrich our contents offerings(1)	295.0	186.7	108.3
Strategic acquisition(2)	186.3	54.7	131.6
Strength our in-house development and research capabilities(2)	178.6	74.7	103.9
Working capital and other general corporate purposes	69.9	69.9	—
Expansion of our offline entertainment services(2)	46.6	—	46.6
Total	**776.4**	**386.0**	**390.4**

Notes:

(1) Unutilized amount will be used by the Company in accordance with the expected timeline as disclosed in the Prospectus.

(2) The completion time of using the relevant unutilized amounts will be determined based on the future business development of the Company.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares held(7)	Approximate percentage of interest in the Company(1)(6)
Mr. Chen Xiangyu ("**Mr. Chen**")(2)	Interest of controlled corporation	242,870,430(L)	19.13%
Mr. Guan Song ("**Mr. Guan**")(3)	Interest of controlled corporation	47,078,020(L)	3.71%
Mr. Jeffrey Lyndon Ko ("**Mr. Ko**")(4)	Interest of controlled corporation	13,979,400(L)	1.10%
Mr. Lei Junwen ("**Mr. Lei**")(5)	Interest of controlled corporation	27,423,760(L)	2.16%
	Beneficial owner	198,000(L)	0.02%

Notes:

(1) The percentages are calculated on the basis of 1,269,718,990 Shares in issue as at June 30, 2019.

(2) Brilliant Seed Limited is wholly owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed Limited.

(3) Bubble Sky Limited is wholly owned by Mr. Guan, who is therefore deemed to be interested in the Shares held by Bubble Sky Limited.

(4) Shipshape Holdings Limited is wholly owned by Mr. Ko, who is therefore deemed to be interested in the Shares held by Shipshape Holdings Limited.

(5) Instant Sparkle Limited is wholly owned by Mr. Lei, who is therefore deemed to be interested in the Shares held by Instant Sparkle Limited.

(6) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.

(7) The letter "L" denotes the person's long position in such Shares.

(ii) Interest in associated corporations

Name of Directors	Associated corporations	Capacity/ Nature of Interest	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation
Mr. Chen	Shenzhen Mengyu Technology Co. Ltd.	Beneficial owner	500,000(L)	5.00%

Save as disclosed above, as at June 30, 2019, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2019 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares held(9)(10)	Approximate percentage of interest in the Company(1)(8)
Brilliant Seed Limited(2)	Beneficial owner	242,870,430(L)	19.13%
Mr. Chen(2) (3)	Interest of controlled corporation	242,870,430(L)	19.13%
Tencent Mobility Limited(4)	Beneficial owner	235,999,300(L)	18.59%
Tencent Holdings Limited(4)	Interest of controlled corporation	235,999,300(L)	18.59%
iDreamSky Technology Limited(5)	Beneficial owner	213,801,980(L)	16.84%
Dream Investment Holdings Limited(5)	Interest of controlled corporation	213,801,980(L)	16.84%
Dream Technology Holdings Limited(5)	Interest of controlled corporation	213,801,980(L)	16.84%
Chen Xiangjiao(6)	Interest of controlled corporation	71,066,209(L)	5.60%
	Beneficial owner	1,594,660(L)	0.13%
Credit Suisse (Hong Kong) Limited(7)	Beneficial owner	59,087,600(L)	4.65%
		19,045,600(S)	1.50%
Credit Suisse Securities (Europe) Limited(7)	Beneficial owner	46,000(S)	0.00%
Credit Suisse Group AG(7)	Interest of controlled corporation	59,087,600(L)	4.65%
		19,091,600(S)	1.50%

Notes:

(1) The percentages are calculated on the basis of 1,269,718,990 Shares in issue as at June 30, 2019.

(2) Brilliant Seed Limited is wholly owned by Mr. Chen. Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed Limited.

(3) On June 6, 2019, Mr. Chen ceased to be the administrator of the RSU Plan and there after ceased to be deemed interested in the 86,270,450 Shares held by the RSU Holdings Entities, which the companies holding the Shares pursuant to the RSU Plan on trust or on behalf of the grantees of the Company, namely Sky Investment Limited and Sky Technology Limited.

(4) Tencent Mobility Limited is a wholly owned subsidiary of Tencent Holdings Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Mobility Limited.

(5) iDreamSky Technology Limited is wholly owned by Dream Investment Holdings Limited, which is an exempted company incorporated with limited liabilities in Cayman Islands and is in turn wholly owned by Dream Technology Holdings Limited. None of the shareholders of Dream Technology Holdings Limited hold one third or more of the shareholding of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.

(6) Ms. Chen Xiangjiao is the administrator of the RSU Plan since 6 June 2019 and is deemed to be interested in the Shares held by the RSU Holdings Entities, namely Sky Investment Limited and Sky Technology Limited. As at June 30, 2019, Ms. Chen is interested in approximately 5.72% of the total issued shares capital of the Company, being 72,660,869 Shares, comprising (i) 71,066,209 Shares, approximately 5.60% of the share capital of the Company held by Sky Investment Limited and Sky Technology Limited under the RSU Plan; and (ii) 1,594,660 Shares, approximately 0.13% of the share capital of the Company.

(7) Credit Suisse (Hong Kong) Limited is wholly owned by Credit Suisse AG, which is in turn wholly owned by Credit Suisse Group AG. Under the SFO, Credit Suisse Group AG is deemed to be interested in the Shares held by Credit Suisse (Hong Kong) Limited. Credit Suisse Securities (Europe) Limited is wholly owned by Credit Suisse Investment Holdings (UK), which is in turn wholly owned by Credit Suisse Investments (UK). Credit Suisse Investments (UK) is wholly owned by Credit Suisse AG, which is in turn wholly owned by Credit Suisse Group AG. Under the SFO, Credit Suisse Group AG is deemed to be interested in the Shares held by Credit Suisse Securities (Europe) Limited.

(8) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.

(9) The letter “L” denotes the person’s long position in such Shares.

(10) The letter “S” denotes the person’s short position in such Shares.

Save as disclosed above, as at June 30, 2019, the Directors were not aware of any persons (who were not directors or chief executive of the Company) or corporation who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

From the Listing Date to June 30, 2019, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding share option scheme.

RSU PLAN

The Board has approved the RSU Plan on May 10, 2018, and the RSU Plan shall be valid and effective for a period of ten years commencing from the adoption date of May 10, 2018. Certain principal terms and details of the RSU Plan are summarized as follows:

Purpose

The purpose of the RSU Plan is to recognize and reward the Participants for their contribution to our Group, to attract best available personnel, and to provide additional incentives to them to remain with and further promote the success of our Group's business.

Eligible Participants

Those eligible to participate in the RSU Plan (the "**Participants**") include (a) full-time employees (including directors, officers and members of senior management) of our Group; and (b) any person who, in the opinion of the Administrator, has contributed or will contribute to any member of our Group (including contractors, advisors or consultants of any member of our Group).

Maximum Number of Shares

Unless otherwise duly approved by our Shareholders, the total number of Shares underlying the RSU Plan (the "**RSU Limit**") shall not exceed the aggregate of 8,627,045 Shares, representing 7.55% of the issued Shares of our Company as of the adoption date of the RSU Scheme (on a fully diluted and as-converted basis assuming all our Shares underlying the RSU Scheme have been issued). For the avoidance of doubt, the RSU Limit excludes Shares underlying the RSUs that have lapsed or have been cancelled in accordance with the RSU Plan. Upon completion of the Global Offering and the Capitalization Issue (as defined in the Prospectus), the number of Shares held by the RSU Holding Entities shall be 86,270,450 Shares.

Administration

The RSU Plan shall be subject to the administration of the administrator, being any person(s) duly appointed by the Board (the "**Administrator**") to administer the RSU Plan. The Administrator may, from time to time, select the Participants to whom a grant of a restricted stock unit (the "**Awards**") may be granted.

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of the RSU Plan, (b) determine the persons who will be granted Awards under the RSU Plan, the terms and conditions of the Awards are granted and when the RSUs granted pursuant to the RSU Plan may vest except in the case where the persons who will be granted Awards are the directors and senior management of our Company (the "**Directors and Senior Management**"), the Administrator shall determine the Awards (including the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the RSU Plan may vest) to be granted to the Directors and Senior Management only in accordance with the written resolutions by more than 50% of the members of the remuneration committee of the Board, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Plan as it deems necessary, and (d) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Plan.

Award of RSUs

The Administrator may, from time to time, select the Participants to whom an Award may be granted. The consideration payable by a selected Participant for acceptance of the Award under the RSU Plan shall be determined at the sole and absolute discretion of the Administrator, and in any event shall be no less than the nominal value of our Shares. Subject to the terms of the RSU Plan, the Awards may be granted on such terms and conditions (such as linking the vesting of the RSUs to the attainment or performance of milestones by any member of our Group, the grantee or group of grantees).

No grant of Award shall be made to any selected Participant at a time when the selected Participant would or might be prohibited from dealing in our Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or laws. In addition, the Administrator may not grant any Award to any Participant if (i) the requisite approvals for the grant of Award from any applicable regulatory authorities have not been obtained; (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of such grant or in respect of the RSU Plan, unless the Administrator determines otherwise; (iii) where the grant of Award would result in a breach of any applicable securities laws, rules or regulations by any member of our Group or any of its directors; or (iv) the grant of Award would result in breach of the RSU Limit or other rules of the RSU Plan.

For so long as our Shares are listed on the Stock Exchange:

(a) a grant of Award must not be made after inside information has come to the knowledge of the Administrator until such inside information has been announced in accordance with the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any such year, half-year, quarter or interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;

(b) a grant of Award to a Director shall not be made on any day on which the financial results of our Company are published and during the period of (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) 30 days immediately preceding the publication date of any quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly of half-year period up to the publication date of the results;

(c) a grant of Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to prior approval of the independent non-executive Directors (except the independent non-executive Director who is the proposed grantee in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. However, if the Award forms part of the relevant Director's remuneration under his service contract, the grant of Award to such Director will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules. Awards shall not be assignable or transferable, except for (i) assignment or transfer from a grantee to a company wholly owned by him or between two companies both of which are wholly owned by him; or (ii) following the grantee's death, transfer by will or by the laws of testacy and distribution.

Details of the RSUs granted under the RSU Plan

As at June 30, 2019, the aggregate number of Shares underlying RSUs granted under the RSU Plan was 60,744,711* Shares and the aggregate number of Shares underlying RSUs vested under the RSU Plan was 19,784,970* Shares. Any vested or unvested RSUs or any Share underlying any RSUs shall not be transferred or sold before the Listing and during the period of six months following the Listing Date.

RSUs granted to Participants other than our Directors, senior management and their associates

As at December 31, 2018, RSUs in respect of 39,183,710* Shares were granted to Participants (who are not our Directors, senior management and the associates). During the six months ended June 30, 2019, RSU Holding Entities granted an aggregate of 8,538,881* shares to Participants (who are not our Directors, senior management and their associates), which are attached with certain vesting conditions.

RSUs granted to our Directors, senior management and their associates

As at June 30, 2019, no RSUs were granted to our Directors under the RSU Plan. RSUs in respect of 1,594,650* Shares were granted to an associate of our Directors on July 1, 2018, and all such RSUs were vested on the same date.

As at June 30, 2019, RSUs in respect of 11,427,470* Shares were granted to our senior management member, Mr. Fang Hui, which have a vesting period of 48 months, 25% of which will vest on July 1, 2019, 25% on July 1, 2020, 25% on July 1, 2021, and 25% on July 1, 2022.

* Upon the completion of the Global Offering and the Capitalization Issue (each share subdivided into 10 shares, as defined in the Prospectus).

Report On Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF IDREAMSKY TECHNOLOGY HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 75, which comprises the interim condensed consolidated statement of financial position of iDreamSky Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at June 30, 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 29, 2019

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months period ended June 30, 2019

	Notes	Six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Revenues	8	**1,431,303**	1,073,838
Cost of revenues	9	**(755,700)**	(650,665)
Gross profit		**675,603**	423,173
Selling and marketing expenses	9	**(131,154)**	(131,178)
General and administrative expenses	9	**(126,410)**	(101,083)
Research and development expenses	9	**(95,641)**	(54,389)
Net impairment losses on financial assets and contract assets	9	**(28,555)**	(10,507)
Other income		**16,936**	6,319
Other (losses)/gains, net	10	**(50,955)**	2,934
Fair value losses on financial assets at fair value through profit or loss	18	**(5,141)**	(2,915)
Operating profit		**254,683**	132,354
Finance income	11	**1,140**	15,128
Finance costs	11	**(22,695)**	(27,817)
Finance cost, net	11	**(21,555)**	(12,689)
Share of net (losses)/profits of investments accounted for using the equity method	17	**(253)**	528
Profit before income tax		**232,875**	120,193
Income tax expense	12	**(22,638)**	(20,777)
Profit for the period		**210,237**	99,416
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Currency translation differences		**(818)**	40,834
Total comprehensive income for the period		**209,419**	140,250

		Six months ended June 30,	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Audited)
Profit for the period attributable to:			
— Equity holders of the Company		**178,227**	99,271
— Non-controlling interests		**32,010**	145
		210,237	99,416
Total comprehensive income attributable to:			
— Equity holders of the Company		**177,409**	140,105
— Non-controlling interests		**32,010**	145
		209,419	140,250
Earnings per share			(Restated)
— Basic earnings per share (in RMB)	13	**0.15**	0.10
— Diluted earnings per share (in RMB)	13	**0.14**	0.09

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2019

	Notes	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	**30,214**	26,893
Intangible assets	14	**953,534**	682,702
Investment properties	15	**26,371**	—
Right-of-use assets	16	**57,823**	—
Investments accounted for using the equity method	17	**326,227**	284,896
Financial assets at fair value through profit or loss	18	**295,532**	267,506
Prepayments and other receivables	20	**45,233**	41,480
Goodwill	14	**639,099**	989,233
Contract asset		**16,238**	21,653
Deferred tax assets		**42,776**	36,496
		2,433,047	2,350,859
Current assets			
Trade receivables	19	**1,206,293**	820,894
Amounts due from related parties	28	**8,380**	39,032
Prepayments and other receivables	20	**1,115,980**	1,031,745
Contract asset		**30,515**	26,440
Contingent consideration assets		**—**	20,089
Contract costs		**105,816**	119,824
Financial assets at fair value through profit or loss	18	**82,475**	87,547
Cash and cash equivalents		**473,127**	1,121,641
		3,022,586	3,267,212
Total assets		**5,455,633**	5,618,071

	Notes	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**75**	75
Share premium	21	**2,542,476**	2,542,476
Reserves	22	**462,005**	254,552
Retained earnings		**493,423**	329,898
		3,497,979	3,127,001
Non-controlling interests		**200,548**	51,105
Total equity		**3,698,527**	3,178,106
LIABILITIES			
Non-current liabilities			
Borrowings	24	**101,128**	129,805
Lease liabilities		**38,032**	—
Deferred government grants		**3,815**	5,429
		142,975	135,234
Current liabilities			
Borrowings	24	**895,708**	984,357
Lease liabilities		**21,333**	—
Trade payables	25	**160,558**	153,001
Amounts due to related parties	28	**21,159**	21,159
Other payables and accruals	26	**283,188**	885,046
Income tax liabilities		**38,529**	40,766
Deferred government grants		**10,157**	11,626
Contract liabilities		**183,499**	208,776
		1,614,131	2,304,731
Total liabilities		**1,757,106**	2,439,965
Total equity and liabilities		**5,455,633**	5,618,071

Interim Condensed Consolidated Statement of Changes in Equity

For the six months period ended June 30, 2019

	Notes	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to equity holders of the Company									
(Unaudited)											
Balance at January 1, 2019		75	2,542,476	16,100	–	32,749	33,236	172,467	329,898	51,105	3,178,106
Profit for the period		–	–	–	–	–	–	–	178,227	32,010	210,237
Other comprehensive income											
— Currency translation differences		–	–	–	–	–	(818)	–	–	–	(818)
Total comprehensive income for the period		–	–	–	–	–	(818)	–	178,227	32,010	209,419
Transactions with owners											
Capital injection from equity holders of the Company's subsidiary		–	–	–	–	–	–	–	–	70,000	70,000
Profit appropriation to statutory reserves	22	–	–	–	–	14,702	–	–	(14,702)	–	–
Share-based compensation expenses	23	–	–	–	–	–	–	41,503	–	–	41,503
Total transactions with owners recognized directly in equity for the period		–	–	–	–	14,702	–	41,503	(14,702)	70,000	111,503
Transaction with non-controlling shareholder	22	–	–	–	–	–	–	152,066	–	47,433	199,499
Balance at June 30, 2019		75	2,542,476	16,100	–	47,451	32,418	366,036	493,423	200,548	3,698,527

	Notes	Attributable to equity holders of the Company: Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
(Audited)											
Balance at January 1, 2018		–	–	360,900	228,130	9,482	(6,296)	632,375	106,781	5,322	1,336,694
Profit for the period		–	–	–	–	–	–	–	99,271	145	99,416
Other comprehensive income											
– Currency translation differences		–	–	–	–	–	40,834	–	–	–	40,834
Total comprehensive income for the period		–	–	–	–	–	40,834	–	99,271	145	140,250
Transactions with owners											
Capital reduction from equity holders of the Company's subsidiary		–	–	(2,250)	(47,750)	–	–	–	–	–	(50,000)
Effect of Reorganization of the Group		61	1,084,848	(358,650)	(180,380)	–	–	(545,818)	–	–	61
Capital injection from equity holders of the Company		5	753,766	–	–	–	–	–	–	–	753,771
Share-based compensation expenses	23	–	–	–	–	–	–	27,959	–	–	27,959
Total transactions with owners recognized directly in equity for the period		66	1,838,614	(360,900)	(228,130)	–	–	(517,859)	–	–	731,791
Balance at June 30, 2018		66	1,838,614	–	–	9,482	34,538	114,516	206,052	5,467	2,208,735

Interim Condensed Consolidated Statement of Cash Flows

For the six months period ended June 30, 2019

		Six months ended June 30,	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Audited)
Cash flows from operating activities			
Cash generated from operations		**42,926**	203,970
Income taxes paid		**(25,361)**	(12,053)
Net cash inflow from operating activities		**17,565**	191,917
Cash flows from investing activities			
Interest received from wealth management products		**388**	658
Placement of wealth management products		**(159,120)**	(404,000)
Receipt from maturity of wealth management products		**159,120**	404,000
Proceeds from disposals of property, plant and equipment		**62**	104
Purchase of property, plant and equipment		**(7,541)**	(302)
Purchase of intangible assets		**(364,819)**	(185,365)
Loans to related parties	28	**(251)**	(25,542)
Repayment of loans due from related parties	28	**32,516**	—
Loans to third parties		**(85,927)**	(19,409)
Repayment of loans due from third parties		**21,436**	—
Investments in financial assets at fair value through profit or loss		**(61,750)**	(30,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	16,846
Investments in associates and joint ventures		**(41,800)**	(49,660)
Prepayment of land use right		**(41,824)**	—
Repayment of deposit for investments		**10,000**	—
Prepayment for investments		**—**	(155,595)
Net cash outflow from investing activities		**(539,510)**	(448,265)

		Six months ended June 30,	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Audited)
Cash flows from financing activities			
Proceeds from capital injection from shareholders of a subsidiary		**70,000**	—
Proceeds from capital injection to the Company		**—**	753,832
Distribution and payments to the equity holders of the Group		**—**	(50,000)
Proceeds from borrowings	24	**—**	200,000
Repayment of borrowings	24	**(117,326)**	(73,708)
Payment for listing expenses		**(45,238)**	—
Payment for rental		**(13,531)**	—
Interest expenses paid		**(20,739)**	(27,817)
Net cash (outflow)/inflow from financing activities		**(126,834)**	802,307
Net (decrease)/increase in cash and cash equivalents		**(648,779)**	545,959
Cash and cash equivalents at the beginning of the financial period		**1,121,641**	605,075
Effects of exchange rate changes on cash and cash equivalents		**265**	2,815
Cash and cash equivalents at the end of the period		**473,127**	1,153,849

Notes to the Interim Condensed Consolidated Financial Information

1 General information

The Company was incorporated in the Cayman Islands on January 3, 2018 as an exempted company with limited liability. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the licensing, operating and developing of mobile games in the PRC.

The Company has its primary listing on the Stock Exchange on December 6, 2018.

In preparation for the IPO and listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent a reorganization ("**the Reorganization**") to establish the Company as the ultimate holding company of the companies now comprising the Group which conduct the Listing Business.

This interim condensed consolidated financial information for the six months ended June 30, 2019 ("**Interim Financial Information**") is presented in RMB, unless otherwise stated.

2 Basis of presentation and preparation

The Interim Financial Information for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2018, which have been prepared in accordance with IFRS, as set out in the 2018 annual report of the Company dated March 28, 2019 (the "**2018 Financial Statements**").

3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the 2018 Financial Statements, except for the adoption of IAS 40 Investment Property and the adoption of new and revised IFRSs effective as of 1 January 2019:

- IFRS 16 Leases
- Annual improvements 2015-2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28, and
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19.

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards above will not have a material effect on this interim condensed consolidated financial information.

(a) Adoption of IFRS 16

The Group has changed its accounting policies following the adoption of IFRS 16 on January 1, 2019.

The Group leases various buildings for business operation. Rental contracts are typically made for fixed periods of no longer than 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

A leases is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 Significant accounting policies (Continued)

(a) Adoption of IFRS 16 (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

See Note 4 below for further details on the impact of the change in accounting policy.

3 Significant accounting policies (Continued)

(b) Newly adopted accounting policy for investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, all investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (10% of original cost), over the estimated useful lives. The estimated useful lives of the Group's investment properties are 31 years.

4 Changes in accounting policies

As indicated in Note 3(a), the Group has adopted IFRS 16 Leases retrospectively from January 1, 2019. In accordance with the transitional provision under IFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6%.

	RMB'000 **(Unaudited)**
Operating lease commitments disclosed as at December 31, 2018	52,437
Discounted using the lessee's incremental borrowing rate of at the date of initial application	47,410
(Less): short-term leases recognised on a straight-line basis as expense	(34)
(Less): contracts reassessed as service agreements	(1,639)
Lease liability recognised as at January 1, 2019	45,737
Of which are:	
Current lease liabilities	15,453
Non-current lease liabilities	30,284
	45,737

4 Changes in accounting policies (Continued)

All right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at December 31, 2018. The impact on transition is summarised as below.

	As at January 1, 2019 RMB'000 (Unaudited)
Rights-of-use assets	45,737
Lease liabilities	(45,737)

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term within 12 months as at January 1, 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Upon adoption of IFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

5 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2018 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended June 30, 2019.

5 Financial risk management (Continued)

(b) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalent. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
As at June 30, 2019					
Borrowings	**927,269**	**85,702**	**21,178**	**—**	**1,034,149**
Trade payables	**160,558**	**—**	**—**	**—**	**160,558**
Other payables and accruals (excluding advance, accrued payroll and other taxes payables)	**226,640**	**—**	**—**	**—**	**226,640**
Total	**1,314,467**	**85,702**	**21,178**	**—**	**1,421,347**
(Audited)					
As at December 31, 2018					
Borrowings	1,021,017	81,669	55,460	—	1,158,146
Trade payables	153,001	—	—	—	153,001
Other payables and accruals (excluding advance, accrued payroll and other taxes payables)	806,450	—	—	—	806,450
Total	1,980,468	81,669	55,460	—	2,117,597

5 Financial risk management (Continued)

(c) Capital managements

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and amount due to related parties less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As at December 31, 2018, and June 30, 2019, the gearing ratio of the Group is 0.43% and 14.73% respectively. In the opinion of the directors, the Group's capital risk is low.

(d) Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2018 and June 30, 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 Financial risk management (Continued)

(d) Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value as at December 31, 2018 and June 30, 2019.

(Unaudited) As at June 30, 2019	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:					
Financial assets at fair value through profit or loss	18	**82,475**	**—**	**295,532**	**378,007**

(Audited) As at December 31, 2018	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:					
Financial assets at fair value through profit or loss	18	87,547	—	267,506	355,053

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

5 Financial risk management (Continued)

(d) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There was no transfer between level 1 and 2 for recurring fair value measurements. There were also no changes made to any of the valuation techniques applied as of 31 December 2018. The changes in level 3 financial instruments are presented in Note 18.

Valuation processes of the Group (Level 3)

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every six months. On an annual basis, the team adopts various techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies, convertible bonds, etc. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach, comparable transactions approach, and other option pricing models, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), recent market transactions, discount for lack of marketability and other exposure, etc. The fair value of these instruments determined by the Group requires significant judgement, including the likelihood of non-performing by the investee company, financial performance of the investee company, market value of comparable companies as well as discount rate, etc.

6 Critical accounting estimates and judgements

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Financial Statements.

7 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the CEO, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. As a result of this evaluation, the CEO of the Group consider that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Company is domiciled in Cayman Island while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

8 Revenues

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Game revenues	**1,261,360**	951,652
Information service revenues	**160,496**	119,654
Other revenues	**9,447**	2,532
	1,431,303	1,073,838

The timings of revenues recognition by category is as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
At a point in time	**630,728**	517,920
Over time	**800,575**	555,918
	1,431,303	1,073,838

9 Expenses by Nature

Expenses included in cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and net impairment losses on financial assets are analyzed below:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Channel costs	**506,267**	489,284
Employee benefits expenses	**149,878**	100,507
Promotion and advertising expenses	**126,047**	127,335
Revenue share to content providers	**141,129**	100,122
Amortization of intangible assets *(Note 14)*	**65,006**	43,659
Impairment provisions for intangible assets	**21,500**	2,307
Outsourcing expenses for technical services	**26,328**	7,124
Travelling and entertainment expenses	**9,807**	7,806
Professional service fees	**6,689**	27,025
Cloud computing, bandwidth and server custody fees	**10,928**	13,938
Rental expenses	**2,084**	6,665
Impairment provisions for receivables	**29,676**	10,507
Impairment provisions for prepayments	**21,444**	1,170
Depreciation of property and equipment	**4,383**	4,286
Depreciation of right-of-use assets	**11,666**	—
Other tax expenses	**1,341**	1,183
Others	**3,287**	4,904
Total cost of revenues, selling and marketing expenses, administrative expenses, research and development expenses and net impairment losses on financial assets	**1,137,460**	947,822

10 Other (losses)/gains, net

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net gains on disposal of property, plant and equipment	**43**	19
Gains on disposal of subsidiaries	**6,119**	2,078
Losses on disposal of financial assets	**(1,429)**	—
Goodwill impairment *(Note 14)*	**(350,134)**	—
Gain from the reversal of the unpaid consideration payables from the acquisition of Shanghai Huohun Internet Technology Co., Ltd. ("**Shanghai Huohun**") *(Note a)*	**294,911**	—
Others	**(465)**	837
	(50,955)	2,934

(a) According to the agreement for the acquisition of Shanghai Huohun, if the pre-determined profit target are not achieved by Shanghai Huohun from June 1, 2018 to May 31, 2019, the sellers should repay certain consideration to the Group according to the pre-determined formula. As mentioned in Note 14, Shanghai Huohun did not meet the profit/performance target during the six months ended June 30, 2019, and therefore, the Group needn't pay the consideration of around RMB315,000,000 to the sellers. These unpaid considerations were reversed, after the offsetting the contingent consideration assets of RMB20,089,000 as at December 31, 2018, the net gain amount of RMB294,911,000 was recorded in "Other losses/(gains), net.

11 Finance costs, net

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance costs		
— Interest expense	**(20,739)**	(27,817)
— Interest expense on lease liabilities	**(1,956)**	—
	(22,695)	(27,817)
Finance income:		
— Interest income on bank deposits	**1,130**	5,429
— Exchange gain	**10**	9,699
	1,140	15,128
Finance costs, net	**(21,555)**	(12,689)

12 Taxation

Income tax expense is recognised based on management's best knowledge of the income tax rates expected for the financial year.

(a) Cayman Islands corporate income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. No Hong Kong profits tax has been provided for as the Group has no assessable profit arising in Hong Kong.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen iDreamSky was approved as a newly established "Software Enterprise" in June 2013. Therefore, Shenzhen iDreamSky is exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years. Shenzhen iDreamSky has already obtained the relevant approval from relevant tax bureau in 2014 and its first profit making year was 2013, thus the tax exemption period for Shenzhen iDreamSky had commenced from the year of 2013. In addition, Shenzhen iDreamSky has renewed its qualification as a "High and New Technology Enterprise" ("**HNTE**") in November 2016, and it is subject to a reduced preferential EIT rate of 15% for 3-year period from 2016 to 2018 according to the applicable tax preference applicable to the HNTE. In 2019, Shenzhen iDreamSky is renewing its qualification as a HNTE and the management expects that Shenzhen iDreamSky will still be subject to a reduced preferential EIT rate of 15% for the financial year.

Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. was established in Qianhai, Bonded Zone of Shenzhen in October 2014, which was subject to an applicable tax rate of 15%, as it met the requirements set out by local authorities for the preferential tax rate. Horgos iDreamSky Information Technology Co., Ltd. ("**Horgos iDreamSky**") was established in Horgos Development Zone of Xinjiang in June 2016, which was exempt from EIT from the first year of operation for a 5-year period according to the regulations set out by the local authorities. Since Horgos iDreamSky operated in 2016, the tax exemption period commenced from the year of 2016.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

12 Taxation (Continued)

(d) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

The income tax expense of the Group for the six months ended June 30, 2018 and 2019 is analyzed as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax:		
— PRC corporate income tax	**28,918**	20,213
Deferred income tax:		
— Origination and reversal of temporary differences	**(6,280)**	564
Income tax expense	**22,638**	20,777

12 Taxation (Continued)

(d) PRC Withholding Tax ("WHT") (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit before income tax	**232,875**	120,193
Tax calculated at 25%	**58,219**	30,048
Tax effects of:		
— Preferential income tax rates applicable to subsidiaries	**(55,887)**	(17,066)
— Tax losses for which no deferred income tax asset was recognized	**7,271**	4,561
— Expenses not deductible for income tax purposes	**26,432**	11,963
— Super deduction for research and development expenses	**(12,851)**	(5,868)
— Utilization of previously unrecognized tax losses	**(546)**	(2,861)
Income tax expense	**22,638**	20,777

13 Earnings per share and dividends

(a) Earnings per share

(i) Basic

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Audited)
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	**178,227**	99,271
Weighted average number of shares in issue (thousands)	**1,200,866**	1,033,785
Basic earnings per share (in RMB)	**0.15**	0.10

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective period. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganization.

13 Earnings per share and dividends (Continued)

(a) Earnings per share (Continued)

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume all dilutive potential ordinary shares.

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Audited) (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**178,227**	99,271
Weighted average number of shares in issue (thousands)	**1,200,866**	1,033,785
Adjustments for employee incentive plan (thousands)	**36,672**	16,411
Weighted average number of shares for calculating diluted earnings per share (thousands)	**1,237,538**	1,050,196
Diluted earnings per share (in RMB)	**0.14**	0.09

(iii) Earnings per share (restated)

On December 6, 2018, each issued and unissued share of a par value of USD0.0001 each in the capital was subdivided into 10 shares of par value of USD0.00001 each. According to IAS 33, the weighted average number of ordinary shares outstanding during the period and all periods should be adjusted, and the EPS figure disclosed for previous period should be recalculated. Therefore, the basic earnings per share for the period ended June 30, 2018 has been restated from RMB0.96 to RMB0.10, and the diluted earnings per share for the period ended June 30, 2018 has been restated from RMB0.95 to RMB0.09.

(b) Dividends

The Board of Directors resolved that no interim dividend shall be declared for the six months ended June 30, 2019 (six months ended June 30, 2018: nil).

14 Property, plant and equipment (PP&E), Intangible assets and Goodwill

	PP&E	Intangible assets	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note a)	*(Note b)*	
(Unaudited)				
Six months ended June 30, 2019				
Opening net book amount	**26,893**	**682,702**	**989,233**	**1,698,828**
Additions	**8,181**	**357,338**	**—**	**365,519**
Disposals	**(477)**	**—**	**—**	**(477)**
Depreciation/amortisation charge	**(4,383)**	**(65,006)**	**—**	**(69,389)**
Impairment	**—**	**(21,500)**	**(350,134)**	**(371,634)**
Closing net book amount	**30,214**	**953,534**	**639,099**	**1,622,847**
(Audited)				
Six months ended June 30, 2018				
Opening net book amount	27,575	305,519	—	333,094
Additions	623	186,859	—	187,482
Disposals	(85)	—	—	(85)
Depreciation/amortisation charge	(4,286)	(43,659)	—	(47,945)
Impairment	—	(2,307)	—	(2,307)
Closing net book amount	23,827	446,412	—	470,239

As at December 31, 2018 and June 30, 2019, the Group's properties with net book amounts of RMB8,705,000 and RMB8,485,000 respectively were pledged to a bank to secure certain banking borrowings of the Group (Note 24).

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment whenever there is any indication of impairment or annually at year-end (December 31). Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Except for the impairment loss stated below, there was no indication of impairment for property, plant and equipment, and other intangible assets.

14 Property, plant and equipment (PP&E), Intangible assets and Goodwill (Continued)

(a) Impairment for intangible assets

During the six months ended June 30, 2019, the impairment loss on intangible assets were RMB21,500,000, of which RMB15,090,000 were charged to consolidated income statement under "Cost of revenues", the rest were charged to consolidated income statement under "General and administrative expenses", resulting from identified impairment indicators existing for the Group's game intellectual properties and licenses, i.e. the remaining period of licensed games, the performance of those launched games and etc.

(b) Impairment test for goodwill

On August 7, 2018, the Group acquired 70% of the issued share capital of Shanghai Huohun, an internet technology company mainly engaged in developing mobile games in mainland China. The goodwill amounting to RMB989,233,000 arising from the acquisition of 70% equity interests in Shanghai Huohun. Shanghai Huohun did not meet the estimated performance target of RMB300 million from June 1, 2018 to May 31, 2019 ("**Shanghai Huohun's estimated net income for the first operating year**"), so the director conducted an assessment of potential impairment of goodwill.

The Directors consider Shanghai Huohun as a separate CGU (the "**Shanghai Huohun CGU**") and the goodwill will be allocated to the Shanghai Huohun CGU. The Recoverable amount of the Shanghai Huohun CGU is determined base on fair value less costs to sell. A valuation was performed by an independent valuer to determine the fair value and the valuation method used is market approach. The key assumptions in determining the fair value are summarised as below:

Key assumptions	**As at June 30, 2019**	As at December 31, 2018
Average P/E ratio of the comparable companies ("**P/E ratios**")	**6.5**	5.7
Lack of marketability discount ("**LoMD**")	**20.60%**	16.10%
The control premium	**8%**	8%
Shanghai Huohun's actual/estimated net income for the first operating year (RMB'000)	**210,075**	300,000

14 Property, plant and equipment (PP&E), Intangible assets and Goodwill (Continued)

(b) Impairment test for goodwill (Continued)

The following table shows the sensitive analysis of the key assumptions including P/E ratios, LoMD and the control premium prepared by the Directors of the Company:

Assumptions	Changes in assumptions	Goodwill impairment amount will reverse/(increase) *RMB'000*
P/E ratios	Increase by 3%	24,452
	Decrease by 3%	(24,454)
	Increase by 5%	40,754
	Decrease by 5%	(40,756)
	Increase by 10%	81,508
	Decrease by 10%	(81,511)
LoMD	Increase by 3%	(6,345)
	Decrease by 3%	6,343
	Increase by 5%	(10,575)
	Decrease by 5%	10,572
	Increase by 10%	(21,149)
	Decrease by 10%	21,146
The control premium	Increase by 3%	1,810
	Decrease by 3%	(1,813)
	Increase by 5%	3,018
	Decrease by 5%	(3,020)
	Increase by 10%	6,037
	Decrease by 10%	(6,039)

Based on management's assessment on the recoverable amounts of the Shanghai Huohun CGU during the period, the impairment loss of RMB350,134,000 on goodwill were charged to consolidated income statement under "Other gains/(losses), net" (for the year ended Dec 31, 2018: nil).

15 Investment property

	Investment property *RMB'000* (Unaudited)
Six months ended June 30, 2019	
Opening net book amount	—
Additions	26,657
Depreciation/amortisation charge	(286)
Closing net book amount	26,371

The investment property is a building located in Hainan Ecology Software Park for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales and rental.

16 Right-of-use assets

	Buildings *RMB'000* (Unaudited)
Balance as at January 1, 2019 *(Note 4)*	45,737
Addition	23,755
Depreciation charge	(11,666)
Currency translation differences	(3)
Balance as at June 30, 2019	57,823

17 Investments accounted for using the equity method

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Associates (a)	249,205	207,836
Joint ventures (b)	77,022	77,060
	326,227	284,896

(a) Investments in associates

	Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
At the beginning of the period	207,836	164,585
Additions	41,800	49,660
Disposals	(270)	—
Share of profits of the associates	(215)	528
Currency translation differences	54	353
At the end of the period	249,205	215,126

The Group directly hold solely ordinary shares of the associates. As at December 31, 2018 and June 30, 2019, the Group invested in 20 and 16 associates respectively. The largest investment in associates was the investment in Beijing Weibo Technology Development Co., Ltd. ("**Beijing Weibo**", formally known as WeCasting Inc.) which was transferred from financial assets at fair value through profit or loss. In addition, the share of profits of the associates was not material to the Group. Therefore, in the opinion of the directors, none of the associates is material to the Group.

The Group acquired certain associates and made additional investments in existing associates, with an aggregate amount of RMB49,660,000 and RMB41,800,000 during the six months ended June 30, 2018 and 2019, respectively. These associates are principally engaged in online game business and other internet-related businesses.

17 Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At the beginning of the period	**77,060**	9,900
Share of (losses)/profits of the joint ventures	**(38)**	—
At the end of the period	**77,022**	9,900

Set out below are the joint ventures of the Group as at December 31, 2018 and June 30, 2019. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group.

		Percentage of ownership interest attributable to the Group			
Name	**Place of incorporation**	December 31, 2018	**June 30, 2019**	**Nature of relationship**	**Principal activities**
Tianjin Lewei Shidai Culture Development Co. Ltd.	Tianjin	49%	**49%**	Joint Venture	Film and television program planning
Tianjin Wenmeng Interactive Entertainment Co. Ltd.	Tianjin	50%	**50%**	Joint Venture	Intellectual property development and operation
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Shenzhen	50%	**50%**	Joint Venture	Venture capital business
Dreamwalk Technologies Limited	Hong Kong	30%	**30%**	Joint Venture	Software business

18 Financial assets at fair value through profit or loss

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in non-current assets		
At the beginning of the period	**267,506**	214,841
Additions	**56,875**	30,000
Changes in fair value	**—**	(2,915)
Disposal	**(28,929)**	(16,846)
Currency translation differences	**80**	594
At the end of the period	**295,532**	225,674
Included in current assets		
At the beginning of the period	**87,547**	—
Changes in fair value	**(5,141)**	—
Currency translation differences	**69**	—
At the end of the period	**82,475**	—

The Group's financial assets at fair value through profit or loss comprised debt securities hold by the Group and some investments in unlisted entities mainly operated in the PRC, UK and Korea.

The debt securities were the investments which were made in the investees in form of convertible redeemable preferred shares. The preferred shares are convertible into ordinary shares anytime at the option of the holder, or automatically in the event of an initial public offering ("**IPO**") of the investees. The preferred shares are redeemable at the option of the Group if there is no IPO of investees after several years from the dates of investment. Based on the status of investees, the Group considers the redemption clause is substantive, and therefore has accounted for the investment in those investees as financial assets at fair value through profit or loss.

The investments in unlisted entities represented the Group's certain minority interests in private companies. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in fair value are reflected in the consolidated statements of comprehensive income. These companies are engaged in technology, game developing and other internet-related services.

19 Trade receivables

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Third party payment channels and mobile carriers	68,144	76,687
Third party distribution channels	889,180	592,963
Advertising customers	262,159	132,848
Related parties *(Note 28)*	48,740	57,151
	1,268,223	859,649
Less: provision for impairment	(61,930)	(38,755)
	1,206,293	820,894

(a) The credit terms of trade receivables granted by the Group are generally 3 months. Aging analysis based on recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Within 3 months	504,507	390,562
3 months to 1 year	652,524	389,012
1 to 2 years	74,030	48,438
2 to 3 years	26,988	26,719
Over 3 years	10,174	4,918
	1,268,223	859,649

The majority of the Group's trade receivable were denominated in RMB.

As at June 30, 2019, the carrying amounts of the accounts receivable were approximate to their fair values.

20 Prepayments and other receivables

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Included in non-current assets		
Non-current portion of loan to employees *(Note a)*	**3,444**	5,655
Prepayment for property	**41,824**	25,882
Prepayment for investments	**—**	10,000
Less: provision for impairment	**(35)**	(57)
	45,233	41,480
Included in current assets		
Recoverable value-added tax	**13,649**	11,578
Rental and other deposits	**4,759**	7,941
Prepaid advertising expenses *(Note b)*	**281,132**	317,666
Prepaid revenue sharing to content providers *(Note c)*	**629,093**	564,016
Current portion of loan to employees *(Note a)*	**4,951**	4,141
Loan to third parties *(Note d)*	**125,973**	67,417
Withholding tax	**17,930**	22,755
Other receivable from disposal of investments accounted for using the equity method	**15,040**	10,080
Prepayment to related parties *(Note 28)*	**—**	14,109
Others	**37,171**	29,745
Less: provision for impairment	**(13,718)**	(17,703)
	1,115,980	1,031,745

20 Prepayments and other receivables (Continued)

As at June 30,2019, there were no significant balances that are past due.

(a) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and to be repaid in 1 to 5 years from the grant dates.

(b) The Group engaged various online advertising suppliers and made prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized as "selling and marketing expenses" when the advertising services are rendered.

(c) The prepaid revenue sharing to game developers represents the Group's contractual obligation to game developers according to the agreements signed with game developers. Such amounts are recognized as "cost of revenues" when relevant revenues is recognized.

(d) Loans to third parties represents the loans provided to a number of third parties, which were unsecured, interest free and repayable on demand. In the opinion of the directors, none of the loans to any single third parties is material to the Group during the period ended June 30, 2019.

21 Share capital and share premium and treasury shares

(Audited)	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares USD'000	Share premium USD'000
Authorised:				
Ordinary shares of USD1.0 each;				
January 3, 2018 (date of incorporation)	50,000	50	—	—
Share split on March 27, 2018 *(Note a)*	499,950,000	—	—	—
As of June 30, 2018	500,000,000	50	—	—
Issued and fully paid:				
Issuance of ordinary shares in relation to the Reorganization of the Group, including share split effect *(Note b)*	99,308,912	10	61	1,084,848
Issuance of ordinary shares to the new investors	6,338,742	1	5	753,766
Shares allotted for share incentive scheme *(Note c)*	8,627,045	—	—	—
Treasury shares *(Note c)*	(7,354,833)	—	—	—
As of June 30, 2018	106,919,866	11	66	1,838,614

(Unaudited)	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000
Authorised:				
As of December 31, 2018	5,000,000,000	50	—	—
As of June 30, 2019	5,000,000,000	50	—	—
Issued and fully paid:				
As of December 31, 2018	1,196,170,660	12	75	2,542,476
Shares vested for share incentive scheme *(Note 22)*	7,062,850	—	—	—
As of June 30, 2019	1,203,233,510	12	75	2,542,476

21 Share capital and share premium and treasury shares (Continued)

(a) On March 27, 2018, each issued and unissued share of a par value of USD1.00 each in the capital of our Company was subdivided into 10,000 shares of a par value of USD0.0001 each, such that following the subdivision, the authorized share capital of our Company became USD50,000 divided into 500,000,000 shares of a par value of USD0.0001 each.

(b) During the six months ended June 30, 2018, as part of the Reorganization, the Company issued and allotted and issued an aggregate of 99,308,912 shares of USD0.0001 each share at par value to offshore holding companies which are beneficially owned by the equity owners of Shenzhen iDreamSky as at that date. Upon the completion of the Reorganization, the amount of RMB358,650,000 capital reserves, RMB180,380,000 merger reserves and RMB545,818,000 other reserves have been transferred to share premium accordingly.

(c) On May 18, 2018, the Company allotted and issued an aggregate of 8,627,045 shares to the RSU Holding Entities for employee incentive plan purpose. Of which, 1,272,212 shares were granted to certain equity owners of Shenzhen iDreamSky without vesting conditions as part of the Reorganization, and thus, the remaining 7,354,833 shares represented the treasury shares of the Group.

(d) On December 6, 2018, each issued and unissued share of a par value of USD0.0001 each in the capital of our Company was subdivided into 10 shares of a par value of USD0.00001 each, such that following the subdivision, the authorized share capital of our Company became USD50,000 divided into 5,000,000,000 shares of a par value of USD0.00001 each.

(e) On 6 December 2018, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 126,972,000 new ordinary shares at HKD6.60 per share, and raised gross proceeds of approximately HKD838,015,000 (equivalent to RMB743,571,000). The net proceeds was approximately HKD793,273,000 (equivalent to RMB703,871,000) after deducting listing expenses directly relating to the share issuance.

(f) The number of the treasury shares for the period ended June 30, 2019 is 66,485,480.

22 Reserves

(Unaudited)	Notes	Capital reserves RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
As at December 31, 2018		16,100	—	32,749	33,236	172,467	254,552
Share-based compensation expenses	23	—	—	—	—	41,503	41,503
Profit appropriation to statutory reserves		—	—	14,702	—	—	14,702
Transaction with non-controlling shareholder	a	—	—	—	—	152,066	152,066
Currency translation differences		—	—	—	(818)	—	(818)
As at June 30, 2019		16,100	—	47,451	32,418	366,036	462,005

(Audited)	Notes	Capital reserves RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
As at December 31, 2017		360,900	228,130	9,482	(6,296)	632,375	1,224,591
Capital reduction from equity holders of the Company's subsidiary		(2,250)	(47,750)	—	—	—	(50,000)
Effect of the Reorganization of the Group		(358,650)	(180,380)	—	—	(545,818)	(1,084,848)
Share-based compensation expenses		—	—	—	—	27,959	27,959
Currency translation differences		—	—	—	40,834	—	40,834
As at June 30, 2018		—	—	9,482	34,538	114,516	158,536

(a) On June 3, 2019, the Group sold 19% equity of Shanghai Huohun to its minority shareholder at a cash consideration of RMB199,500,000. By the completion of the transaction above, the Group's equity interest in Shanghai Huohun decreased from 70% to 51%, but the Group still retained control on it. The difference between the consideration received for this 19% of Shanghai Huohun's equity interest and the share of carrying amount of net asset disposed, amounting to RMB152,066,000 was credited to reserves.

23 Share-based payments

(a) 2014 Share Incentive Plan

iDreamSky Technology Limited, the original overseas holding company of Shenzhen iDreamSky, adopted a share incentive plan in June 2014 ("**2014 Share Incentive Plan**") to grant restricted shares and share options to the Group's employees for the purpose of attracting and retaining the best available personnel, to provide additional incentives to employees and directors to promote the success of business.

The initial maximum number of ordinary shares that may be issued under the 2014 Share Incentive Plan is 15,169,920 shares which accounted for 12% of iDreamSky Technology Limited's ordinary shares.

(i) Restricted shares

As of January 1, 2015, 13,026,080 restricted shares have been granted to certain directors and employees of the Shenzhen iDreamSky. On April 1, 2015, additional 4,833,450 restricted shares have been granted to certain directors and employees of Shenzhen iDreamSky. The weighted-average grant-date fair value on April 1, 2015 is USD1.72 per share, which is the closing share price of iDreamSky Technology Limited.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The vesting period of the restricted shares and share options granted is 4 years and the vesting schedules is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years.

As part of privatization of the original overseas holdings Company of Shenzhen iDreamSky, iDreamSky Technology Limited, and the restructuring made by Shenzhen iDreamSky, the unvested restricted shares and share options under 2014 Share Incentive Plan has been canceled. As a return, the relevant grantees' interests were transferred to the new share incentive plan as disclosed in below note (b).

23 Share-based payments (Continued)

(b) 2017 Restricted Shares Scheme

On April 30, 2017, as a return of the cancellation of aforesaid unvested restricted shares and share options under 2014 Share Incentive Plan, the relevant grantees became the limited partners of two new established limited liability partnerships, namely Ningbo Meishan Bonded Port Ziheng Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區資恒投資管理合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Mengweixing Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區夢維興投資管理合夥企業(有限合夥)) ("**2017 Restricted Shares Scheme**"), and which also became the shareholders of Shenzhen iDreamSky.

Such arrangement was accounted for as the continuance of the original 2014 Share Incentive Plan. Since the relevant vesting conditions attached to original granted restricted shares and share options were removed during aforesaid arrangement, the remaining share-based compensation expenses related to those restricted shares and share options were recognized into the statement of comprehensive income immediately in 2017.

Furthermore, certain employees obtained the partnership units, as limited partners, of aforesaid two partnership at a price lower than their fair value, such transaction was considered as equity-settled share-based payment to employees. The fair value of the partnership units granted to employees on grant date, April 30, 2017, as determined with reference to the financing from independent third parties which occurred on the same day. The Group recognize this share-based compensation expenses immediately as no vesting conditions attached.

As part of the Reorganization, the Ningbo Meishan Bonded Port Ziheng Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區資恒投資管理合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Mengweixing Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區夢維興投資管理合夥企業(有限合夥)) need to reduce its equity interests in Shenzhen iDreamSky. As a return, the relevant limited partners' interests of the aforesaid two partnerships were transferred to the new share incentive plan as disclosed in below note (c).

23 Share-based payments (Continued)

(c) 2018 Share Incentive Plan

On May 18, 2018, the Company issued and allotted an aggregate of 8,627,045 shares to the RSU Holding Entities for employee incentive plan purpose. On July 1, 2018, RSU Holding Entities granted aggregate of 5,220,583 shares to senior management and employees, among which aggregate of 2,913,310 shares were granted to the relevant limited partners of the aforesaid two partnerships mentioned in note (b) as a return for their reduction of the equity interests in Shenzhen iDreamSky. Out of 2,913,310 shares, 1,272,212 shares are without vesting conditions and the remaining 1,641,098 are attached some vesting conditions.

Out of the remaining 2,307,273 shares, the vesting schedule is for 2,118,854 shares 1/3 after 8 months from original grant date, and the remaining 2/3 will be vest in 2 equal installments over the next 2 years; and the vesting schedule for 188,419 is 48 months and the vesting schedule is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years.

On December 6, 2018, each issued and unissued share of a par value of USD0.0001 each in the capital of our Company was subdivided into 10 shares of a par value of USD0.00001 each, such that following the subdivision, the number of awarded shares for the year ended December 31, 2018 is 39,483,710.

During the six months ended June 30, 2019, RSU Holding Entities granted aggregate of 8,538,881 shares to employees, which are attached some vesting conditions. The Group recorded RMB41,503,000 share-based compensation expense accordingly during the six months ended June 30, 2019.

Movement in the number of awarded shares for the period ended June 30, 2019 is as follows:

	Number of awarded shares (Unaudited)
At beginning of the period	39,483,710
Granted	8,538,881
Vested	(7,062,850)
At end of the period	40,959,741

24 Borrowings

	As at June 30, 2019	As at December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
Secured bank borrowings *(Note a)*	**1,128**	1,805
Unsecured bank borrowings *(Note b)*	**100,000**	128,000
	101,128	129,805
Current		
Current portion of long-term borrowing, secured *(Note a)*	**1,354**	1,354
Current portion of long-term borrowing, unsecured *(Note b)*	**120,000**	68,000
Secured long-term borrowings reclassified to current borrowings *(Note a)*	**774,354**	915,003
	895,708	984,357
	996,836	1,114,162

24 Borrowings (Continued)

(a) In April 2016, one of the Group's subsidiaries, Changsha Mengju Information Technology Co., Ltd. ("**Changsha Mengju**"), entered into a five-year loan facility agreement with bank A, pursuant to which a loan facility up to RMB6,000,000 was made available to Changsha Mengju. As at December 31, 2018 and June 30, 2019, the loan balance of RMB3,159,000 and RMB2,482,000 was borrowed under the aforesaid loan facility agreement respectively. The loan bore a floating interest rate of SHILOR+191BPS per annum, and was secured by the pledge of Changsha Mengju's land and buildings and guarantees by Shenzhen iDreamSky and another independent third party.

In June 2016, Shenzhen iDreamSky entered into a three-year loan facility agreement with bank D, pursuant to which a loan facility up to RMB331,000,000 was made available to Shenzhen iDreamSky. As at December 31, 2018 and June 30, 2019, the loan balance of RMB66,200,000 and RMB0 was borrowed under the aforesaid loan facility agreement respectively. The loan bore a fixed interest rate of 5.7% per annum. The aforesaid loan was secured by the pledge of Shenzhen iDreamSky's trade receivables, shares of Qianhai Chuangyishikong Technology (Shenzhen) Co., Ltd. and Chuangmeng Wuxian Beijing and shares of several significant overseas subsidiaries of the Group. Since the loan has been repaid, during the six months ended June 30, 2019, the pledge is released subsequently in July 2019.

In March 2017, Shenzhen iDreamSky entered into a seven-year loan facility agreement with bank D, where a loan facility up to RMB273,250,000 was made available to Shenzhen iDreamSky. As at December 31, 2018 and June 30, 2019, the loan balance of RMB252,756,000 and RMB245,925,000 was borrowed from aforesaid loan facility agreement with a fixed interest rate of 5.88% per annum. The aforesaid loan is secured by the pledge of shares of Qianhai Chuangyishikong Technology (Shenzhen) Co., Ltd. and Chuangmeng Wuxian Beijing.

In March 2017, one of the Group's subsidiaries Dreammaker (HK) Technology Limited ("**Dreammaker**") entered into a three-year loan facility agreement with bank D, where a loan facility up to EUR68,000,000 was made available to iDreamSky HK. As at December 31, 2018 and June 30, 2019, the loan balance of EUR67,800,000 and EUR67,600,000 (equivalent to RMB532,047,000 and RMB528,429,000 respectively) was borrowed from aforesaid loan facility agreement with a floating rate of LIBOR+235 BPS per annum and was secured by margin of USD40,000,000 and the pledge of the shares of several oversea subsidiaries of the Group.

The Group reclassified all the aforesaid long-term borrowings from bank D to current liabilities as the Group breached certain financial ratio requirements in the loan agreements as at December 31, 2018 and June 30, 2019.

24 Borrowings (Continued)

(b) In January 2018, Shenzhen iDreamSky entered into a three-year loan facility agreement with bank D, where a loan facility up to RMB120,000,000 was made available to Shenzhen iDreamSky. As at December 31, 2018 and June 30 2019, the loan balance is RMB96,000,000 and RMB72,000,000. The loan bore a fixed interest rate of 5.225% per annum.

In January 2018, Shenzhen iDreamSky entered into a three-year loan facility agreement with bank D, where a loan facility up to RMB80,000,000 was made available to Shenzhen iDreamSky. As at December 31, 2018 and June 30 2019, the loan balance of RMB64,000,000 and RMB48,000,000 was borrowed from aforesaid loan facility agreement. The loan bore a fixed interest rate of 5.7% per annum.

In December 2018, Shenzhen iDreamSky entered into a three-year loan facility agreement with bank D, where a loan facility up to RMB60,000,000 was made available to Shenzhen iDreamSky. As at December 31, 2018 and June 30 2019, the loan balance is RMB60,000,000 and RMB60,000,000. The loan bore a fixed interest rate of 5.7% per annum.

In December 2018, Shenzhen iDreamSky entered into a three-year loan facility agreement with bank D, where a loan facility up to RMB40,000,000 was made available to Shenzhen iDreamSky. As at December 31, 2018 and June 30 2019, the loan balance of RMB40,000,000 and RMB40,000,000 was borrowed from aforesaid loan facility agreement. The loan bore a fixed interest rate of 6.175% per annum.

(c) The maturity of borrowing is as follows:

	As at June 30, 2019 *RMB'000* **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Within 1 year	**895,708**	984,357
Between 1 and 2 years	**81,128**	77,354
Between 2 and 5 years	**20,000**	52,451
	996,836	1,114,162

25 Trade payables

Trade payables are primarily related to the purchase of services for server custody, game licenses, and the revenues collected by the Group which is to be shared to cooperated game developers according to respective cooperation agreements. The credit terms of trade payables granted to the Group are usually 3 months. The aging analysis of trade payable based on recognition date is as follows:

	As at June 30, 2019 ***RMB'000*** **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Within 3 months	**48,339**	56,726
3 months to 1 year	**79,398**	29,845
1 to 2 years	**15,711**	43,004
2 to 5 years	**17,110**	23,426
	160,558	153,001

26 Other payables and accruals

	As at June 30, 2019 ***RMB'000*** **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Payroll and welfare payables	**33,841**	34,581
Professional service fee payable	**14,762**	69,221
Other tax payables	**22,707**	44,015
Other payables to related parties *(Note 28)*	**206,400**	733,275
Others	**5,478**	3,954
	283,188	885,046

27 Commitments

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	As at June 30, 2019 ***RMB'000*** **(Unaudited)**	As at December 31, 2018 *RMB'000* (Audited)
Intangible assets	**313,163**	200,202
Land use right	**41,824**	—
	354,987	200,202

28 Significant related party transactions

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group.

Names of major related parties	**Nature of relationship**
Guangzhou Topcomm Media Advertising Co., Ltd.	Entity invested by a director of the Group
Shenzhen Tencent Computer Systems Company Ltd.	A related party of a shareholder
Tencent Technology (Shenzhen) Company Limited	A related party of a shareholder
Tencent Cloud Computing (Beijing) Company Limited	A related party of a shareholder
iDreamSky Technology Limited	A shareholder of the Company
Tenpay Payment Technology Co., Ltd.	A related party of a shareholder
Tianjin Lewei Shidai Culture Development Co., Ltd.	Joint venture of the Group
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership)	Associate of the Group
Shenzhen Qianhai Mengyou Technology Co., Ltd.	Associate of the Group
Zhuhai Shahe Internet Technology Co., Ltd.	Associate of the Group
Beijing Shiyongshi Internet Technology Co., Ltd.	Associate of the Group
Wuxi Zengzhiqi Game Studio	Non-controlling shareholder of a subsidiary

28 Significant related party transactions (Continued)

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties.

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

(i) Provide services

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Guangzhou Topcomm Media Advertising Co., Ltd.	**17,257**	14,232
Shenzhen Tencent Computer Systems Company Limited	**28,999**	4,796
	46,256	19,028

(ii) Purchases of services

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tencent Cloud Computing (Beijing) Company Limited	**7,207**	7,720
Shenzhen Tencent Computer Systems Company Limited	**9,212**	9,238
Tencent Technology (Shenzhen) Company Limited	**—**	94
Tenpay Payment Technology Co., Ltd	**548**	627
	16,967	17,679

(iii) Purchase of game intellectual properties and licenses

Besides the transactions listed above, the Group paid the remaining license fee of USD2,000,000 and prepaid revenue share of USD2,000,000 to Tencent Technology (Shenzhen) Company Limited during the six months ended June 30, 2019 according to a licensing contract signed in April 2017.

28 Significant related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

(iv) Loan provided to related parties

	Six months ended June 30, 2019 RMB'000 (Unaudited)	Six months ended June 30, 2018 RMB'000 (Audited)
Loans to related parties:		
— iDreamSky Technology Limited	—	20,424
— Shenzhen Qianhai Mengyou Technology Co., Ltd.	—	5,000
— Others	251	118
	251	25,542
Repayment received from related parties:		
— iDreamSky Technology Limited	32,516	—
	32,516	—

(c) Period/year end balances with related parties

(i) Amounts due from related parties

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
iDreamSky Technology Limited	—	32,516
Wuxi Zengzhiqi Game Studio	8,000	8,000
Others	821	570
	8,821	41,086
Less: provision for impairment	(441)	(2,054)
	8,380	39,032

The above amount due from related parties were unsecured, interest-free and repayable on demand.

28 Significant related party transactions (Continued)

(c) Period/year end balances with related parties (Continued)

(ii) Trade receivables due from related parties

	As at June 30, 2019 *RMB'000* (Unaudited)	As at December 31, 2018 *RMB'000* (Audited)
Shenzhen Tencent Computer Systems Company Limited	**18,194**	41,165
Guangzhou Topcomm Media Advertising Co., Ltd.	**29,247**	14,869
Tenpay Payment Technology Co., Ltd.	**1,280**	1,098
Others	**19**	19
	48,740	57,151

(iii) Amounts due to related parties

	As at June 30, 2019 *RMB'000* (Unaudited)	As at December 31, 2018 *RMB'000* (Audited)
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership)	**21,159**	21,159

The above amount due to related parties were unsecured, interest-free and repayable on demand.

28 Significant related party transactions (Continued)

(c) Period/year end balances with related parties (Continued)

(iv) Trade payables due to related parties

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Tencent Cloud Computing (Beijing) Company Limited	**4,075**	3,498
Tencent Technology (Shenzhen) Company Limited	**—**	28,311
Others	**12**	—
	4,087	31,809

(v) Prepayments to related parties

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Tencent Technology (Shenzhen) Company Limited	**—**	14,109

(vi) Other payables due to related parties

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Tianjin Lewei Shidai culture development Co., Ltd.	**4,900**	4,900
Hengqin Chuangmeng Qida equity investment enterprise (Limited Partnership)	**5,000**	5,000
Non-controlling shareholders of a subsidiary	**196,500**	711,000
Zhuhai Shahe Internet Technology Co., Ltd.	**—**	4,875
Beijing Shiyongshi Internet Technology Co., Ltd.	**—**	7,500
	206,400	733,275

28 Significant related party transactions (Continued)

(d) Key management personnel compensations

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fees	**150**	150
Wages, salaries and bonuses	**2,304**	1,852
Share-based compensation	**—**	27,959
Pension costs — defined contribution plan, other social security costs, housing benefits, and other employee benefits	**93**	78
Other employee benefits	**20**	40
	2,567	30,079

29 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2018 and June 30, 2019.

30 Subsequent Event

There is no material subsequent event undertaken by the Group after June 30, 2019.

Definitions

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"ARPPU" or "average revenue per paying user"	the average amount of game revenue that the Group generates from each paying user for a particular period refers to the average game revenue for the period divided by the average of the paying users during that period
"Articles of Association"	the amended and restated articles of association of our Company adopted on November 20, 2018 with effect from December 6, 2018, as amended and supplemented from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the independent auditor of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Company" or "our Company"	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange under stock code 01119
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, our Company, the WFOE, Shenzhen iDreamSky and the Relevant Shareholders
"Director(s)"	the director(s) of the Company
"Group" or "our Group" or "we" or "us"	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards

"IPO Proceeds"	the net proceeds of approximately HKD776.4 million from the global offering of the shares of the Company, after deducting professional fees, underwriting commissions and other related listing expenses
"Listing Date"	December 6, 2018, being the date on which the shares of the Company became listed and commenced trading on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"matching puzzle game(s)"	games in which users have to put three identical elements in a row or line to eliminate them
"MAU(s)" or "monthly active user(s)"	the number of unique accounts that interacted with the Group's mobile games in a particular month, which include multiple accounts held by one single user
"MMORPG(s)" or "multi-player online role-playing game(s)"	games in which a large number of players, typically from hundreds to thousands, assume the roles of characters in a fictional setting
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPU(s)" or "monthly paying user(s)"	the number of unique accounts through which a payment is made for the Group's mobile games in a particular month, which includes multiple accounts held by one single user
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries
"Prospectus"	the prospectus of the Company dated November 26, 2018
"RMB"	Renminbi, the lawful currency of the PRC
"RPG(s)" or "role-playing game(s)"	games in which users assume the roles of characters in a fictional setting
"RSU Plan"	the restricted share unit plan of our Company

"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with nominal value of US$0.0001 each in the share capital of the Company
"Shenzhen iDreamSky"	Shenzhen iDreamSky Technology Co., Ltd. (深圳市創夢天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Tencent"	Tencent Holdings Limited, one of the Company's substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange under stock code 700
"U.S. dollars" or "US$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"WFOE"	Shenzhen Qianhai iDream Technology Co., Ltd. (深圳市前海創夢科技有限公司), a wholly-owned foreign enterprise established in the PRC and a subsidiary of our Company