

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



## 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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2020, together with the comparative unaudited figures for the corresponding period in 2019 as below. These interim results for the six months ended June 30, 2020 have been reviewed by the Auditor 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, and by the Audit Committee.

### FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended June 30,		Period-on- period %
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	
Revenue	1,591,643	1,431,303	11.2%
Gross profit	684,793	675,603	1.4%
Profit before income tax	167,324	232,875	(28.1%)
Profit for the period	147,866	210,237	(29.7%)
Adjusted profit for the period*	215,378	312,104	(31.0%)

\* 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, fair value losses on convertible bonds, 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.

## **BUSINESS REVIEW AND OUTLOOK**

### **Highlights of Interim Results for the six months ended June 30, 2020**

For the six months ended June 30, 2020, we achieved 11.2% period-on-period growth in our revenue. Game revenue and information service revenue were the key drivers for the overall revenue growth.

Operating profit decreased by 5.2% period-on-period. Operating margin for the first half of 2020 was 15.2%, representing a decrease of 2.6 percentage points from the six months ended June 30, 2019.

Profit for the period of six months ended June 30, 2020 decreased by 29.7% period-on-period. Adjusted net profit for the period of six months ended June 30, 2020 decreased by 31.0%.

The decrease of profit for the six months ended June 30, 2020 was primarily due to (a) decrease in revenue generated from a game with relatively high profit margin; and (b) the increase in the Group's expenses for the first half of 2020, in particular, the increase in marketing expenses and research and development (“**R&D**”) costs.

Our average MAUs increased from 130.1 million for the six months ended June 30, 2019 to 142.0 million for the six months ended June 30, 2020. For the first half of 2020, our average MPUs increased from 5.8 million to 6.2 million as compared to the first half of 2019, and our monthly ARPPU increased from RMB31.7 to RMB35.5 for the six months ended June 30, 2020.

### **Business Review**

Our vision is to become the most popular gaming company, and deliver more joy to our users. Driven by our philosophy of iDreamSky Flywheel (創夢飛輪), we have been adhering to the philosophy of achieving business growth through self-developed of core businesses and external cooperation. As a leading digital entertainment platform in the China, the Company adhered to integration of publishing and self-develop capabilities, and actively responded to the rapidly changing market environment based on its strong customer base and rich high quality content, thus achieving outstanding results.

Looking back at the first half of 2020, COVID-19 spread around the world like wild fire, triggering a global economic crisis. The sudden outbreak of COVID-19 has seriously affected people's normal course of life and work. However, from the perspective of the business operation, COVID-19 has brought both opportunities and challenges to the Company.

In the short term, the epidemic has indeed brought a wave of growth to most online related business industries, and “home economy” has boosted the consumption of their products and services. The Company also recorded growth in number of active users and ARPPU. In the long term, we believe that only providing high-quality games and users services can guarantee sustained competitiveness, and will not change the pace of continuous R&D and deployment in high quality contents despite of the epidemic.

We have started using Objectives and Key Results (OKR) as a management tool since last year. When the epidemic hits, although we work remotely for a while at the beginning, but our work efficiency has not been greatly affected. We believe that as remote working becomes a new trend, the traditional enterprise management mode will no longer be applicable. By leveraging more advanced management tools such as OKR, we ensured that employees work closely together to focus on measurable contributions and helping the Company to grow.

In the first half of the year, Cross Gate (Mobile version) (魔力寶貝(手機版)), the classic Japanese IP game that was published by Tencent continued to contribute steady revenue stream for us, while FIFPro World Players’ Union (全民冠軍足球) ranked the top among the football simulation mobile games in China. The operation data and revenue of matching puzzle games and RPG games maintained their steady pace of growth. Moreover, in the first half of the year, our average monthly active users (MAU) exceeded 140 million, with a period-on-period growth of 9.1%, which led to a substantial increase in our advertising revenue.

In June 2020, the much-awaited “Tencent Games Annual Press Conference” was held online in the form of live streaming. Art of War 3 (全球行動), developed by iDreamSky and published by A.C.E Program, is the only RTS game released during the event. The game was launched on all channels in July 2020. It had attracted over one million players for registration before its launch, and rose to TOP 1 on the IOS free list on the first day of the launch. According to the latest data, the game has a daily active users (DAU) of several hundred thousand, ranking number one in the RTS category games.

This year, we have been focusing more on building research and development capabilities through long-term source code cooperation. Art of War 3 (全球行動) is the result of this strategy, another masterpiece of the Company in partnership with Tencent Games in addition to Cross Gate (Mobile version) (魔力寶貝(手機版)) and FIFPro World Players’ Union (全民冠軍足球). In addition, a number of games will be launched in the next period, including Super Animal Royale (小動物之星) (casual competitive game), Witch Diary (女巫日記) (matching puzzle game) and CRLRBIYRU (卡拉比丘) (shooting game), etc.

## **Enhance cooperation with strategic investors in offline stores**

This year, iDreamSky has continued to strengthen the cooperation with its strategic investors including Tencent, SONY, JD.com, etc. We have unique advantages in gaming content, technology advancement and product commercialization. In the future, we will continue to integrate investors' resources in content creation and operation of online and offline entertainment experience, as well as improving user experience.

The offline business, “Tencent Video Great Moment Voyage” entertainment block, is the first experiential entertainment retail block in China. The Company and SONY PlayStation jointly designed and explored the offline console game experience scene, in order to meet the needs of different groups for console game experience from two dimensions: console device sales and multi-specification console game experience areas. It is also an offline experience store authorized by Tencent Switch.

In the first half of the year, due to the impact of the epidemic, people reduced their social activities, so we timely adjusted the opening hours and expansion rhythm of the offline experience stores. But at the same time, we optimized the business model of offline stores and carried out a series of digital transformation and upgrade. We continued to optimize the store construction process and business deployment, updated the store business model from 1.0 to 2.0, and further expanded the chain entertainment channels with the help of our business partners such as SONY. It can be clearly seen that since the end of March, when the epidemic eased and the country gradually resumed work, the profitability and traffic of our offline stores have increased significantly.

## **Optimizing capital structure**

On January 9, 2020, at the “4th Annual Golden Hong Kong Stock Award Ceremony” held in Shenzhen, iDreamSky won the “Best New Economy Company” award. The award selection committee evaluated the performance of the enterprises in the past year based on performance growth, industry ranking, corporate governance, business model, market influence and capital market performance, and then selected the final winners according to the corresponding public voting weight. The “Best New Economy Company” award is designed to recognize the new economy Hong Kong-listed companies which have healthy corporate governance structure, prominent industry position, outstanding main business, and are able to provide investors with sustainable and stable value returns.

In May 2020, the Company was included in the Morgan Stanley Capital International (MSCI) China All Shares Small Cap Index. MSCI index is an important reference basis for institutional investors to invest in the global stock market. It covers companies with good operating performance and potential. The selected shares shall meet the requirements for market value, stock turnover, and stock liquidity, and have high reference value.

In the first half of this year, Greater Bay Area Homeland Investments Limited increased continuously its investment in iDreamSky. The latest shareholding ratio of Greater Bay Area Common Homeland Investment was 7.01%. In the future, both parties will continue to carry out in-depth cooperation in digital creative industry upgrading scientific and technological innovation in the Guangdong-Hong Kong-Macao Greater Bay Area. The Company will seize the historic opportunity of building the Guangdong-Hong Kong-Macao Greater Bay Area and promote the upgrading of digital creative industry in the Greater Bay Area.

The increase of key shareholders' holdings and inclusion in the MSCI China Index proved the capital market's recognition of the Company's business development, and highlighted the focus of the peers and investors on the relevant industry. It is a great encouragement and a spur to iDreamSky.

### **Social responsibilities**

Looking back at the first half of the year, in the face of the epidemic, we not only adjusted our business model, but have also tried our best to fulfill our social responsibilities. Since the outbreak of COVID-19, the Company has paid close attention to the areas severely impacted by the epidemic. In addition to donating medical aid funds, the Company also mobilized all efforts to purchase and transport materials in short supply from overseas and send them to frontline medical workers as soon as possible. In addition, in order to support the heroic staff at the front line, inspire the confidence and determination of all citizens to fight against the epidemic, the Company and Shenzhen Nanshan District Cultural, Radio, Travel and Sports Bureau jointly produced public benefit poetry MV "In This Winter" to pay tribute to the antiepidemic fighters at the frontline! From dedicating our efforts to the epidemic prevention and management, to supporting the overall social development, the Company has fully practiced its social responsibilities and well represented the commitment of the industry.

### **Outlook**

In the future, the Company will continue to expand the high quality content matrix by means of self-development and licensing games from content providers, especially by introducing overseas high-quality PC, console or mobile games and redeveloping them through the secondary development of our R&D team into mobile games suitable for global release on the source code level. In addition to the Art of War 3 (全球行動) mentioned above, we also plan to launch a series of high-quality games such as Super Animal Royale (小動物之星) and Glory (榮耀).

The Company's self-developed cross-platform 2D casual competition mobile game Super Animal Royale (小動物之星) is expected to be launched in the fourth quarter of 2020. Currently, its Taptap score is as high as 9.7, and the test data shows that the next day retention is over 70%. Super Animal Royale (小動物之星) is the first 2D cartoon style competition mobile game developed by iDreamSky, which perfectly inherits the battle royale gameplay system and background setting. In this vivid and colorful game world, there are up to 64 kinds of cute animal characters to choose from, which are comparable to the European and American cartoon styles of Disney, creating a new visual experience. We firmly believe that by offering fresh sensory experience to users, we will be able to bring unique game experience for the domestic players, and hence fortifying our competitiveness in the future market.

The Company's flagship games Gardenscapes (夢幻花園) and Homescapes (夢幻家園) are very popular in the domestic market. In the first half of the year, the active users and revenue data of the games reached a record high. We continued to capture and retain users by constantly updating levels and contents. For instance, in July 2020, we integrated the Palace Culture of the Palace Museum to create Gardenscapes — Imperial Garden of the Forbidden City (夢幻花園 • 紫禁城御花園). The successful launch of the new version has led to a simultaneous surge in reputation and popularity of the game, with new players and returning players reaching new highs in recent years. More importantly, by specially developing and customizing new areas and mini-games that combine education and entertainment, the Company has explored more possibilities between tradition and modern times to achieve diversified cross-border integration and was able to help passing on the profound Chinese culture and spirit to the younger generations.

### **Embrace the cloud gaming wave**

Cloud games have broad development prospects. According to the 2020 Cloud Game Industry Survey Report released by CNG, China's cloud gaming market is expected to exceed RMB1 billion in 2020, and the annual growth rate is expected to exceed 100% in the next two years.

We believe that the arrival of cloud game wave along with the advancement in 5G technology will create disruptive changes to the gaming industry and bring new development opportunities for the industry. We have spent a lot of time thinking, "what shall we do with cloud gaming?" There are no more than four fields: content, operation, technology and the construction of "online + offline" immersive experience. The Company has been committed to working with strategic partners in the industry to explore and build a new ecosystem of the cloud gaming industry and stimulate the innovation and vitality of cloud games.



Recently, based on the cloud game solutions of Tencent Cloud, iDreamSky has begun the cloud testing of its games, laying a foundation for the subsequent comprehensive cloud operation. In addition, the two sides will jointly explore and develop new entertainment scenarios such as live broadcast interaction, further expand cross-terminal and cross-scene game content services, and broaden the boundary of the cloud gaming industry.

We believe that in the industry chain of cloud games, gaming platforms and high-quality content producers will make the most profits. In addition, high-quality cloud game operators will also be able to gather their own core community of players on the cloud platform. In the future, with the support of its strategic partner Tencent Cloud, iDreamSky will continue to invest in the research and development, release and strategic investment of high-quality content related to cloud games, and continue to integrate high-quality content resources around the world. This will enable us to build unique content advantages and create innovative experience of content-based cloud games. At present, iDreamSky has reserved a number of cloud-capable games developed independently or introduced from the incubator. The cooperation between the two parties will jointly create a broader blue sea of cloud games.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended June 30, 2020*

		<b>Six months ended June 30,</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenues	4	<b>1,591,643</b>	1,431,303
Cost of revenues	5	<b>(906,850)</b>	(755,700)
<b>Gross profit</b>		<b>684,793</b>	675,603
Selling and marketing expenses	5	<b>(192,180)</b>	(131,154)
General and administrative expenses	5	<b>(122,088)</b>	(126,410)
Research and development expenses	5	<b>(112,489)</b>	(95,641)
Net impairment losses on financial assets and contract assets	5	<b>(35,845)</b>	(28,555)
Other income		<b>14,033</b>	16,936
Other losses, net	6	<b>(2,144)</b>	(50,955)
Fair value gains/(losses) on financial assets at fair value through profit or loss		<b>7,434</b>	(5,141)
<b>Operating profit</b>		<b>241,514</b>	254,683
Finance income		<b>4,355</b>	1,140
Finance costs		<b>(48,347)</b>	(22,695)
Finance costs, net		<b>(43,992)</b>	(21,555)
Loss from change in fair value of convertible bonds		<b>(27,748)</b>	—
Share of net losses of investments accounted for using the equity method		<b>(2,450)</b>	(253)
<b>Profit before income tax</b>		<b>167,324</b>	232,875
Income tax expense	7	<b>(19,458)</b>	(22,638)
<b>Profit for the period</b>		<b>147,866</b>	210,237
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Currency translation differences		<b>21,723</b>	939
Items that will not be reclassified to profit or loss			
— Currency translation differences		<b>(18,878)</b>	(1,757)
<b>Total comprehensive income for the period</b>		<b>150,711</b>	209,419



		<b>Six months ended June 30,</b>	
		<b>2020</b>	<b>2019</b>
<i>Notes</i>		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period attributable to:</b>			
— Equity holders of the Company		<b>136,986</b>	178,227
— Non-controlling interests		<b>10,880</b>	32,010
		<u><b>147,866</b></u>	<u>210,237</u>
<b>Total comprehensive income attributable to:</b>			
— Equity holders of the Company		<b>139,831</b>	177,409
— Non-controlling interests		<b>10,880</b>	32,010
		<u><b>150,711</b></u>	<u>209,419</u>
<b>Earnings per share</b>			
— Basic earnings per share (in RMB)		<b>0.11</b>	0.15
— Diluted earnings per share (in RMB)		<b>0.11</b>	0.14

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

		As at June 30, 2020	As at December 31, 2019
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		28,988	31,712
Construction in progress		6,355	—
Intangible assets		1,625,405	1,419,264
Investment properties		25,625	26,012
Right-of-use assets		119,460	46,177
Investments accounted for using the equity method		420,806	406,708
Financial assets at fair value through profit or loss		345,730	354,320
Prepayments and other receivables		225,530	79,014
Goodwill		566,902	566,902
Contract asset		3,229	4,131
Deferred tax assets		52,435	51,483
		<u>3,420,465</u>	<u>2,985,723</u>
<b>Current assets</b>			
Trade receivables	9	1,296,643	1,005,256
Amounts due from related parties		18,574	8,523
Prepayments and other receivables		1,158,928	1,285,881
Contract asset		1,963	2,122
Contract costs		167,222	151,967
Financial assets at fair value through profit or loss		125,651	114,544
Restricted cash		51,787	—
Cash and cash equivalents		675,387	532,746
		<u>3,496,155</u>	<u>3,101,039</u>
<b>Total assets</b>		<u><u>6,916,620</u></u>	<u><u>6,086,762</u></u>

	<i>Notes</i>	As at <b>June 30, 2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at December 31, 2019 <i>RMB'000</i> <b>(Audited)</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		75	75
Share premium		2,542,476	2,542,476
Reserves		446,324	379,654
Retained earnings		755,712	635,353
		<u>3,744,587</u>	<u>3,557,558</u>
<b>Non-controlling interests</b>		<b>398,915</b>	<b>388,035</b>
		<u>4,143,502</u>	<u>3,945,593</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		816,512	254,148
Lease liabilities		17,179	26,559
Convertible bonds	<i>10</i>	235,611	—
Deferred government grants		2,257	2,417
		<u>1,071,559</u>	<u>283,124</u>
<b>Current liabilities</b>			
Borrowings		820,300	1,016,291
Lease liabilities		20,411	22,366
Trade payables	<i>11</i>	203,202	160,793
Amounts due to related parties		18,949	21,159
Other payables and accruals		324,279	317,045
Income tax liabilities		39,118	45,480
Deferred government grants		5,400	9,452
Contract liabilities		269,900	265,459
		<u>1,701,559</u>	<u>1,858,045</u>
<b>Total liabilities</b>		<b>2,773,118</b>	<b>2,141,169</b>
<b>Total equity and liabilities</b>		<b>6,916,620</b>	<b>6,086,762</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Attributable to equity holders of the Company									
	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
<b>(Unaudited)</b>										
<b>Balance at January 1, 2020</b>	75	2,542,476	16,100	79,527	33,525	250,502	635,353	3,557,558	388,035	3,945,593
Profit for the period	—	—	—	—	—	—	136,986	136,986	10,880	147,866
Other comprehensive income	—	—	—	—	2,845	—	—	2,845	—	2,845
— Currency translation differences	—	—	—	—	2,845	—	—	2,845	—	2,845
<b>Total comprehensive income for the period</b>	—	—	—	—	2,845	—	136,986	139,831	10,880	150,711
<b>Transactions with owners</b>										
Profit appropriation to statutory reserves	—	—	—	16,627	—	—	(16,627)	—	—	—
Share-based compensation expenses	—	—	—	—	—	47,198	—	47,198	—	47,198
<b>Total transactions with owners recognized directly in equity for the period</b>	—	—	—	16,627	—	47,198	(16,627)	47,198	—	47,198
<b>Balance at June 30, 2020</b>	75	2,542,476	16,100	96,154	36,370	297,700	755,712	3,744,587	398,915	4,143,502

Attributable to equity holders of the Company

	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total Equity RMB'000
(Unaudited)										
<b>Balance at January 1, 2019</b>	75	2,542,476	16,100	32,749	33,236	172,467	329,898	3,127,001	51,105	3,178,106
Profit for the period	—	—	—	—	—	—	178,227	178,227	32,010	210,237
Other comprehensive income	—	—	—	—	(818)	—	—	(818)	—	(818)
— Currency translation differences	—	—	—	—	(818)	—	—	(818)	—	(818)
<b>Total comprehensive income for the period</b>	—	—	—	—	(818)	—	178,227	177,409	32,010	209,419
<b>Transactions with owners</b>										
Capital reduction from equity holders of the Company's subsidiary	—	—	—	—	—	—	—	—	70,000	70,000
Capital injection from equity holders of the Company	—	—	—	14,702	—	—	(14,702)	—	—	—
Share-based compensation expenses	—	—	—	—	—	41,503	—	41,503	—	41,503
Total transactions with owners recognized directly in equity for the period	—	—	—	14,702	—	41,503	(14,702)	41,503	70,000	111,503
<b>Transaction with non-controlling shareholder</b>	—	—	—	—	—	152,066	—	152,066	47,433	199,499
<b>Balance at June 30, 2019</b>	75	2,542,476	16,100	47,451	32,418	366,036	493,423	3,497,979	200,548	3,698,527

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	77,184	42,926
Income taxes paid	<u>(26,772)</u>	<u>(25,361)</u>
<b>Net cash inflow from operating activities</b>	<u><b>50,412</b></u>	<u>17,565</u>
<b>Cash flows from investing activities</b>		
Interest received from wealth management products	—	388
Placement of wealth management products	—	(159,120)
Receipt from maturity of wealth management products	—	159,120
Proceeds from disposals of property, plant and equipment	—	62
Purchase of property, plant and equipment	(1,860)	(7,541)
Payment for construction in progress	(6,220)	—
Purchase/prepayment of intangible assets	(295,621)	(364,819)
Loans to related parties	(10,580)	(251)
Repayment of loans due from related parties	—	32,516
Loans to third parties	(50,000)	(85,927)
Repayment of loans due from third parties	35,200	21,436
Investments in financial assets at fair value through profit or loss	(2,124)	(61,750)
Proceeds from disposal of financial assets at fair value through profit or loss	13,212	—
Proceeds from disposal of investments in associates and joint ventures	667	—
Investments in associates and joint ventures	(17,000)	(41,800)
Payment/prepayment of right-of-use assets	(41,824)	(41,824)
Repayment of deposit for investments	—	10,000
<b>Net cash outflow from investing activities</b>	<u><b>(376,150)</b></u>	<u>(539,510)</u>



	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from financing activities</b>		
Proceeds from capital injection from shareholders of a subsidiary	—	70,000
Proceeds from borrowings	<b>1,048,854</b>	—
Repayment of borrowings	<b>(672,439)</b>	(117,326)
Changes in restricted cash	<b>(51,787)</b>	—
Repayment of loans due to a related party	<b>(2,210)</b>	—
Proceeds from the issue of convertible bonds	<b>204,552</b>	—
Principal elements of lease payments	<b>(12,103)</b>	(13,531)
Payment for listing expenses	—	(45,238)
Interest expenses paid	<b>(47,592)</b>	(20,739)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>	<b>467,275</b>	(126,834)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>141,537</b>	(648,779)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	<b>532,746</b>	1,121,641
Effects of exchange rate changes on cash and cash equivalents	<b>1,104</b>	265
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>675,387</b>	473,127
	<hr/> <hr/>	<hr/> <hr/>

## NOTES:

### 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.

The interim condensed consolidated financial information for the six months ended June 30, 2020 (the “**Interim Financial Information**”) is presented in RMB, unless otherwise stated.

### 2. Basis of presentation and preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34, “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2019, which have been prepared in accordance with IFRS, as set out in the 2019 annual report of the Company dated March 26, 2020 (the “**2019 Financial Statements**”).

### 3. Significant accounting policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the 2019 Financial Statements, except for the adoption of new accounting policy for convertible bonds and the adoption of new and revised IFRSs effective as of January 1, 2020:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7

The adoption of these new standards listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### *(a) Accounting policy for convertible bonds*

Convertible bonds issued by the Company can be converted into the share capital of the Company at the option of the investor. The Group designates convertible bonds denominated in a currency other than the functional currency of the Company as financial liabilities at fair value through profit or loss on initial recognition, and the transaction costs are deducted from the statement of comprehensive income. At the end of each reporting period after initial recognition, all convertible bonds are measured at fair value and changes in their fair value are directly recognised in profit or loss in the period in which they are incurred.

The convertible bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of reporting period.

**(b) Change in accounting policy**

IFRS 16 (Amendment), “COVID-19 — related Rent Concessions” (effective for annual periods beginning on or after June 1 2020, early application of the amendments is permitted). The Group has early adopted Amendment to IFRS 16 from January 1 2020. The amendment provides lessees with exemption from assessing whether COVID-19 — related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19 — related rent concession as if they were not lease modifications. In applying IFRS 16 (Amendment) for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19 — related rent concession is a lease modification. All of the COVID-19 — related rent concessions were immaterial to the Group.

**4. Revenues**

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Game revenue	<b>1,387,666</b>	1,261,360
Information service revenue	<b>200,417</b>	160,496
Other revenue	<b>3,560</b>	9,447
	<b><u>1,591,643</u></b>	<b><u>1,431,303</u></b>

The timings of revenues recognition by category is as follows:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
At a point in time	<b>568,844</b>	630,728
Over time	<b>1,022,799</b>	800,575
	<b><u>1,591,643</u></b>	<b><u>1,431,303</u></b>

## 5. 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 and contract assets are analyzed below:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Channel costs	<b>634,101</b>	506,267
Employee benefits expenses	<b>189,190</b>	149,878
Promotion and advertising expenses	<b>186,965</b>	126,047
Content costs	<b>175,045</b>	162,573
Amortization of intangible assets	<b>75,065</b>	65,006
Impairment provisions for intangible assets	<b>4,922</b>	21,500
Outsourcing expenses for technical services	<b>6,329</b>	26,328
Travelling and entertainment expenses	<b>6,025</b>	9,807
Professional service fees	<b>18,552</b>	6,689
Cloud computing, bandwidth and server custody fees	<b>12,337</b>	10,928
Rental expenses	<b>1,069</b>	2,084
Impairment provisions for receivables	<b>35,441</b>	29,676
Depreciation of property, plant and equipment	<b>4,500</b>	4,383
Depreciation of right-of-use assets	<b>11,033</b>	11,666
Depreciation of investment property	<b>387</b>	286
Other tax expenses	<b>3,067</b>	1,341
Others	<b>5,424</b>	3,001
	<hr/>	<hr/>
<b>Total cost of revenues, selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets and contract assets</b>	<b><u>1,369,452</u></b>	<b><u>1,137,460</u></b>

## 6. Other losses, net

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net (losses)/gains on disposal of property, plant and equipment	(72)	43
Gains on disposal of subsidiaries	595	6,119
Losses on disposal of financial assets	(1,516)	(1,429)
Goodwill impairment (Note a)	—	(350,134)
Gain from the reversal of the unpaid consideration payables from the acquisition of Shanghai Huohun	—	294,911
Others	(1,151)	(465)
	<u>(2,144)</u>	<u>(50,955)</u>

### (a) 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.

The Directors consider Shanghai Huohun as a separate CGU (the “**Shanghai Huohun CGU**”) and the goodwill is allocated to the Shanghai Huohun CGU. The Recoverable amount of the Shanghai Huohun CGU is determined based on value in use calculations as at June 30, 2020 and December 31, 2019. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below.

The key parameters used for value-in-use calculations are as follows:

<b>Key assumptions</b>	<b>As at June 30, 2020</b>	<b>As at December 31, 2019</b>
Average revenue growth rate during the forecast period	<b>12.42%</b>	12.74%
Earnings before interest, taxes, depreciation and amortisation (“ <b>EBITDA</b> ”) margin during the forecast period	<b>73.6%-76.7%</b>	72.3% -74.1%
Terminal growth rate	<b>3%</b>	3%
Pre-tax discount rate	<b>29.90%</b>	29.60%



Based on management's assessment on the recoverable amounts of the Shanghai Huohun CGU as at June 30, 2020, no further impairment loss on goodwill were required (Year ended December 31, 2019: impairment loss of RMB422,331,000 recognized).

In addition, certain sensitive analysis was also prepared by the Directors of the Company as at June 30, 2020 as follows:

<b>Assumptions</b>	<b>Changes in assumptions</b>	<b>Additional goodwill impairment to be considered RMB'000</b>
Revenue growth rate	Increase by 10%	—
	Decrease by 10%	—
EBITDA margin	Increase by 10%	—
	Decrease by 10%	(27,359)
Terminal growth rate	Increase by 10%	—
	Decrease by 10%	—
Pre-tax discount rate	Increase by 10%	(20,723)
	Decrease by 10%	—

## 7. Taxation

The income tax expense of the Group for the six months ended June 30, 2020 and 2019 is analyzed as follows:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Current income tax:</b>		
— PRC corporate income tax	<b>20,410</b>	28,918
<b>Deferred income tax:</b>		
— Origination and reversal of temporary differences	<b>(952)</b>	(6,280)
<b>Income tax expense</b>	<b><u>19,458</u></b>	<b><u>22,638</u></b>

## 8. Earnings per share and dividends

### (a) Earnings per share

#### (i) Basic

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit attributable to equity holders of the Company (RMB'000)	<u>136,986</u>	<u>178,227</u>
Weighted average number of shares in issue (thousands)	<u>1,217,467</u>	<u>1,200,866</u>
<b>Basic earnings per share (in RMB)</b>	<b><u>0.11</u></b>	<b><u>0.15</u></b>

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.

#### (ii) Diluted

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit attributable to equity holders of the Company (RMB'000)	<u>136,986</u>	<u>178,227</u>
Weighted average number of shares in issue (thousands)	<u>1,217,467</u>	<u>1,200,866</u>
Adjustments for employee incentive plan (thousands)	<u>39,652</u>	<u>36,672</u>
Weighted average number of shares for calculating diluted earnings per share (thousands)	<u>1,257,119</u>	<u>1,237,538</u>
<b>Diluted earnings per share (in RMB)</b>	<b><u>0.11</u></b>	<b><u>0.14</u></b>

Convertible bonds are anti-dilutive because removing the loss from change in fair value of convertible bonds from the profit attributable to equity holders of the Company, divided by per ordinary share obtainable on conversion, exceeds the basic earnings per share, so convertible bonds are ignored in calculating diluted earnings per share.

**(b) Dividends**

The Board of Directors resolved that no interim dividend shall be declared for the six months ended June 30, 2020 (six months ended June 30, 2019: nil).

**9. Trade receivables**

	<b>As at June 30, 2020 RMB'000 (unaudited)</b>	<b>As at December 31, 2019 RMB'000 (audited)</b>
Third party payment channels and mobile carriers	<b>42,813</b>	40,526
Third party distribution channels	<b>873,895</b>	696,149
Advertising customers	<b>373,294</b>	274,651
Related parties	<b>72,287</b>	51,124
	<b>1,362,289</b>	1,062,450
Less: provision for impairment	<b>(65,646)</b>	(57,194)
	<b><u>1,296,643</u></b>	<b><u>1,005,256</u></b>

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

	<b>As at June 30, 2020 RMB'000 (unaudited)</b>	<b>As at December 31, 2019 RMB'000 (audited)</b>
Within 3 months	451,122	401,271
3 months to 1 year	517,805	505,947
1 to 2 years	380,894	119,011
2 to 3 years	6,935	11,153
Over 3 years	5,533	25,068
	<u>1,362,289</u>	<u>1,062,450</u>

- (b) Movements in the provision for impairment of trade receivables as follows:

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>At the beginning of the period</b>	<b>57,194</b>	<b>38,755</b>
Provision for impairment	31,718	23,185
Receivables written off during the period as uncollectible	(19,652)	—
Reversal	(3,614)	(12)
	<u>65,646</u>	<u>61,928</u>
<b>At the end of the period</b>	<b>65,646</b>	<b>61,928</b>

## 10. Convertible bonds

On January 3, 2020 (“**Issue Date**”), the Company issued convertible bonds with face value of USD30,000,000 to Poly Platinum Enterprises Limited (“**Poly**”). The cash proceeds related to the issuance of RMB204,552,000 were received by the Group on January 6, 2020.

The convertible bonds recognized and measured as financial liabilities at fair value through profit or loss. The fair value as of the Issue Date was of RMB204,552,000. During the period, the loss from changes in fair value of convertible bonds was RMB27,748,000. As at June 30, 2020, the fair value of convertible bonds is RMB235,611,000, which is determined by using valuation methodology with the use of unobservable inputs (level 3).

The convertible bonds shall be matured on January 3, 2023 (“**Maturity Date**”). If agreed by the Company and Poly, the Maturity Date could be extended to five years from the Issue Date. The convertible bonds bear interest on the outstanding principal amount from and including the Issue Date at the rate of 2.5% per annum, payable semi-annually in arrears.

Pursuant to the subscription agreement, the convertible bonds, at the option of the holder, will be convertible (unless previously redeemed, converted or cancelled) on or after the Issue Date up to the close of business on the date falling ten days prior to the maturity date into fully paid ordinary shares with a par value of USD0.00001 each of the Company at an initial conversion price of HK\$4.69 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement. No convertible bonds were converted into ordinary shares of the Company during the period.

On giving notice in accordance with the respective terms and conditions of the subscription agreement, at any time after 18 months from the Issue Date, and prior to the Maturity Date, the convertible bonds due may be redeemed up to 50% of the outstanding principal amount of the convertible bonds at the option of the Company.

The convertible bonds may be redeemed at the option of the Company or the holders pursuant to the respective terms and conditions under the subscription agreement. The convertible bonds may be redeemed at the option of the Company in whole but not in part for taxation reasons as described in the subscription agreement. The convertible bonds may be redeemed at the option of the holder following the occurrence of a relevant event described in the subscription agreement to request the Company to redeem all or some of the convertible bonds upon giving notice in accordance with the subscription agreement.

The following table presents the movement of convertible bonds for the six months ended June 30, 2020:

	<b>Six months ended June 30, 2020 RMB'000 (Unaudited)</b>
At initial recognition date	204,552
Changes in fair value	27,748
Currency translation difference	<u>3,311</u>
<b>Balance at June 30, 2020</b>	<b><u><u>235,611</u></u></b>

The following table summarises the quantitative information about the significant unobservable inputs used in fair value measurements of convertible bonds:

<b>Convertible Bonds</b>	<b>Fair value RMB'000</b>	<b>Unobservable inputs</b>
As at June 30, 2020	235,611	Dividend yield: 0.00% Volatility: 37.63% Risk free rate: 0.25% Bond yield: 21.47%



## 11. Trade payables

Trade payables are primarily related to the purchase of services for server custody, game licenses, and the revenue collected by the Group which is to be shared to cooperate game developers according to respective cooperation agreements. The credit terms of trade payables granted to the Group are usually 3 months.

Aging analysis of trade payable based on recognition date is as follows:

	<b>As at June 30, 2020 RMB'000 (unaudited)</b>	<b>As at December 31, 2019 RMB'000 (audited)</b>
Within 3 months	<b>79,667</b>	79,208
3 months to 1 year	<b>93,324</b>	51,464
1 to 2 years	<b>18,628</b>	21,784
2 to 5 years	<b>11,583</b>	8,337
	<b><u>203,202</u></b>	<b><u>160,793</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenues

Revenue increased by 11.2% from RMB1,431.3 million for the six months ended June 30, 2019 to RMB1,591.6 million for the six months ended June 30, 2020 on a period-on-period basis. The following table sets forth our revenues by line of business for the six months ended June 30, 2020 and 2019, respectively.

	Six months ended June 30,			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Game revenue	<b>1,387,666</b>	<b>87.2</b>	1,261,360	88.1
Information service revenue	<b>200,417</b>	<b>12.6</b>	160,496	11.2
Other revenue	<b>3,560</b>	<b>0.2</b>	9,447	0.7
	<b><u>1,591,643</u></b>	<b><u>100.0</u></b>	<b><u>1,431,303</u></b>	<b><u>100.0</u></b>

- Game revenue.** The largest portion of revenues is derived from our games, which contributed 87.2% and 88.1% of our total revenues for the six months ended June 30, 2020 and 2019, respectively. The increase in game revenue from RMB1,261.4 million for the six months ended June 30, 2019 to RMB1,387.7 million for the six months ended June 30, 2020 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), Homescapes (夢幻家園) and Decisive Battle against Marfa (決戰瑪法).

The following table summarizes our key operating data for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
	2020	2019
Average MAUs ( <i>millions</i> )	<b>142.0</b>	130.1
Average MPUs ( <i>millions</i> )	<b>6.2</b>	5.8
Average ARPPU ( <i>RMB</i> )	<b>35.5</b>	31.7

- \* Our key operating metrics included data from all games published and operated by us. During the six months ended June 30, 2020, 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 increased from 130.1 million for the six months ended June 30, 2019 to 142.0 million for the six months ended June 30, 2020, which was primarily contributed by the increase in the popularity of mobile games we offered.
- **MPUs.** Our average MPUs increased from 5.8 million for the six months ended June 30, 2019 to 6.2 million for the six months ended June 30, 2020 in line with the increase of MAU.
- **Monthly ARPPU.** Our monthly ARPPU increased from RMB31.7 for the six months ended June 30, 2019 to RMB35.5 for the six months ended June 30, 2020, 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 RMB160.5 million for the six months ended June 30, 2019 to RMB200.4 million for the six months ended June 30, 2020 was primarily the result of (i) our increased in-game advertisement slots which generated from our publishing games and other games or apps proxy from third parties; and (ii) the higher rates charged to advertisers or advertising agents as a result of the market conditions during this period.
- **Other revenue.** Other revenue decreased from RMB9.4 million for the six months ended June 30, 2019 to RMB3.6 million for the six months ended June 30, 2020. Our other revenue is primarily derived from (i) our fund management fees; (ii) revenue generated from Great Moments Voyage.

### Cost of revenues

Our cost of revenues increased by 20.0% from RMB755.7 million for the six months ended June 30, 2019 to RMB906.9 million for the six months ended June 30, 2020. The increase primarily reflected greater channel costs and revenue share to content providers in line with the growth of our revenues.

As a percentage of revenues, cost of revenues increased to 57.0% for the six months ended June 30, 2020 from 52.8% for the six months ended June 30, 2019. The increase was primarily due to less game revenue being recognized on a net basis and with higher gross margin.

## **Selling and marketing expenses**

Our selling and marketing expenses increased by 46.5% from RMB131.2 million for the six months ended June 30, 2019 to RMB192.2million for the six months ended June 30, 2020. As a percentage of revenue, our selling and marketing expenses increased from 9.2% for the six months ended June 30, 2019 to 12.1% for the six months ended June 30, 2020. The increase was primarily due to an increase in promotion and advertising expenses primarily attributable to our strengthened efforts of promoting our brand games, such as Gardenscapes (夢幻花園) and Decisive Battle against Marfa (決戰瑪法).

## **General and administrative expenses**

Our general and administrative expenses decreased by 3.4% from RMB126.4 million for the six months ended June 30, 2019 to RMB122.1 million for the six months ended June 30, 2020. As a percentage of revenues, our general and administrative expenses decreased from 8.8% for the six months ended June 30, 2019 to 7.7% for the six months ended June 30, 2020. The decrease was resulting from our increasing management efficiency.

## **Research and development expenses**

Our research and development expenses increased by 17.7% from RMB95.6 million for the six months ended June 30, 2019 to RMB112.5 million for the six months ended June 30, 2020. As a percentage of revenues, our research and development expenses increased from 6.7% for the six months ended June 30, 2019 to 7.1% for the six months ended June 30, 2020. The increase was primarily due to our increased in-house game development capabilities, especially for the cross-platform games development.

## **Finance costs**

Our finance costs increases from RMB22.7 million for the six months ended June 30, 2019 to RMB48.3 million for the six months ended June 30, 2020, primarily due to an increase in interest expense from RMB22.7 million to RMB46.4 million in the same period, mainly caused by our total borrowings increase from RMB1,270.4 million as at December 31, 2019 to RMB1,636.8 million as at June 30, 2020.

## **Net impairment losses on financial assets and contract assets**

Our net impairment losses on financial assets and contract assets increased by 25.2% from RMB28.6 million for the six months ended June 30, 2019 to RMB35.8 million for six months ended June 30, 2020, primarily due to the increase in provisions for impairment of trade receivable in connection with the increased trade receivables with an aging of one to two years, mainly due from advertising customers and distribution channels. Such advertising customers and distribution channels has been affected by COVID-19 pandemic, and therefore settlement with them slowed down. We have carefully assessed the expected loss of financial and other assets by considering of the COVID-19 pandemic impact as at June 30, 2020 and made impairment provisions where necessary to reflect the adverse impact.

## **Other losses, net**

We incurred net other losses of RMB51 million for the six months ended June 30, 2019 and RMB2.1 million for the six months ended June 30, 2020.

## **Income tax expense**

Income tax expense decreased by 13.7% to RMB19.5 million for the six months ended June 30, 2020 on a period-on-period basis. The decrease was mainly due to the decrease in profit before income tax.

## **Profit for the period**

For the six months ended June 30, 2020, our profit for the period amounted to RMB147.9 million, representing a decrease of approximately RMB62.3 million or 29.6% compared with RMB210.2 million for the six months ended June 30, 2019.

The decrease of profit for the six months ended June 30, 2020 was primarily due to (a) decrease in revenue generated from a game with relatively high profit margin; and (b) the increase in the Group's expenses for the first half of 2020, in particular, the increase in marketing expenses and R&D costs.

## Other Financial Information

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Adjusted profit for the period <sup>(1)</sup>	215,378	312,104
EBITDA <sup>(2)</sup>	304,735	336,625
Adjusted EBITDA <sup>(3)</sup>	372,247	438,492

### Notes:

- (1) Adjusted profit for the period was derived from our profit for the period excluding share-based compensation expenses, fair value losses on convertible bonds, 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-International Financial Reporting Standards Financial Measures

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. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

We present non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. By excluding certain expenses, gain/(loss) and other items that are not expected to result in future cash payments or that are non-recurring in nature or may not be indicative of our core operating results and business outlook, we believe 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, 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Reconciliation of profit for the period to adjusted profit for the period:</b>		
<b>Profit for the period</b>	<b>147,866</b>	210,237
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	<b>(7,434)</b>	5,141
Add: Share-based compensation expenses	<b>47,198</b>	41,503
Add: Fair value losses on convertible bonds	<b>27,748</b>	—
Add: Impairment provision of goodwill resulting from a business combination	—	350,134
Add: (Gain) from the reversal of the unpaid consideration payables from a business combination	—	(294,911)
	<hr/>	<hr/>
<b>Adjusted profit for the period</b>	<b><u>215,378</u></b>	<b><u>312,104</u></b>

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Reconciliation of profit for the period to EBITDA and adjusted EBITDA:</b>		
<b>Profit for the period</b>	<b>147,866</b>	210,237
Add: Depreciation of property, plant and equipment, right-of-use assets and investment property	<b>15,920</b>	16,049
Add: Amortization of intangible assets	<b>75,065</b>	65,006
Add: Income tax expense	<b>19,458</b>	22,638
Add: Interest expense	<b>46,426</b>	22,695
	<hr/>	<hr/>
<b>EBITDA</b>	<b>304,735</b>	336,625
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	<b>(7,434)</b>	5,141
Add: Share-based compensation expenses	<b>47,198</b>	41,503
Add: Fair value losses on convertible bonds	<b>27,748</b>	—
Add: Impairment provision of goodwill resulting from a business combination	—	350,134
Add: (Gain) from the reversal of the unpaid consideration payables from a business combination	—	(294,911)
	<hr/>	<hr/>
<b>Adjusted EBITDA</b>	<b><u>372,247</u></b>	<b><u>438,492</u></b>

### **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, 2020, the Group's total cash and cash equivalents increased by 26.8% to approximately RMB675.4 million from approximately RMB532.7 million as at December 31, 2019. The increase in total cash and cash equivalents during the period under review was primarily resulted from the cash inflow from operating activities and proceeds from issue of convertible bonds. Our cash and cash equivalents were primarily denominated in RMB, HKD, EUR and USD.



As at June 30, 2020, the Group's total borrowings amounted to approximately RMB1,636.8 million (December 31, 2019: RMB1,270.4 million). As at June 30, 2020, the RMB-denominated borrowings accounted for approximately 54.3% (December 31, 2019: 56.0%) of the Group's total borrowings. Among the Group's total borrowings as at June 30, 2020, a substantial portion of approximately 50.1% (December 31, 2019: 80.0%) would be due within one year.

As at June 30, 2020, the current assets of the Group amounted to approximately RMB3,496.2 million, and the current liabilities of the Group amounted to approximately RMB1,701.6 million. As at June 30, 2020, the current ratio (being the current assets to current liabilities ratio) of the Group was 2.05 as compared with 1.67 as at December 31, 2019.

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, 2020, the debt ratio of the Group was 40.1% as compared with 35.2% as at December 31, 2019.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, amount due to related parties, lease liabilities 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 June 30, 2020, the gearing ratio of the Group is 29.0% (December 31, 2019: 20.5%).

### **Pledge of Assets**

Among the total borrowings of the Group as at June 30, 2020, approximately RMB1,536.8 million (December 31, 2019: RMB1,110.4 million) were secured by the Group's land and buildings, certain trade receivables, certain game intellectual properties, certain financial assets and certain deposits which accounted for approximately 93.9% (December 31, 2019: 87.4%) of the Group's total borrowings.

### **Contingent Liabilities**

As at June 30, 2020, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (December 31, 2019: nil).

## **Capital Expenditure**

For the six months ended June 30, 2020, our total capital expenditure was approximately RMB336.2 million, compared to RMB377.3 million for the six months ended June 30, 2019. Our capital expenditure primarily included expenditures for license fees paid to game developers, right-of-use assets, construction in progress and purchase of property, plant and equipment. We plan to fund our capital expenditures through our operating cash flows. 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 Disposals and Significant Investments**

The Group did not have any material acquisitions and disposals and significant investments during the six months ended June 30, 2020.

## **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, EUR 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, 2020 and 2019.

## **Employee and Remuneration Policy**

We had 915 and 1,022 full-time employees as at June 30, 2020 and December 31, 2019, 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.

## USE OF 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, 2020, the IPO Proceeds were utilized in accordance with the intended purposes as set out in the Prospectus, with the balance amounted to approximately HKD152.4 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:

	<b>Net amount available as at December 31, 2019</b>	<b>Actual net amount utilized during the six months ended June 30, 2020</b>	<b>Unutilized amount as at June 30, 2020</b>
	<i>HKD million</i>	<i>HKD million</i>	<i>HKD million</i>
Expansion of our game portfolio and enrich our contents offerings	49.8	49.8	—
Strategic acquisition <sup>(1)</sup>	131.6	8.8	122.8
Strengthen our in-house development and research capabilities	35.2	35.2	—
Working capital and other general corporate purposes	—	—	—
Expansion of our offline entertainment services <sup>(1)</sup>	46.6	17.0	29.6
	<u>46.6</u>	<u>17.0</u>	<u>29.6</u>
Total	<u>263.2</u>	<u>110.8</u>	<u>152.4</u>

Notes:

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

## INTERIM DIVIDEND

The Board did not propose any interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance for the six months ended June 30, 2020.

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.

At present, the roles of the chairman of the Board and the chief executive officer of the Company are performed by Mr. Chen Xiangyu. Owing to his background, qualification and experience in relation to the Company, Mr. Chen Xiangyu is regarded as the best candidate for assuming the dual roles. The Board considers Mr. Chen Xiangyu's assumption of the dual roles enables the Company to maintain the consistency of the Company's policies and the stability and efficiency of the Company's operations, which is proper and in the best interests of the Company.

During the daily operations of the Company, all material decisions are approved by the Board and the relevant board committees, as well as the senior management team. In addition, the Directors proactively participate in all the board meeting and the relevant board committee meetings, and the Chairman ensures all the Directors are duly informed of all the matters to be approved at the meetings. In addition, the senior management team provide the Board with sufficient, clear, complete and reliable company information on a regular basis and from time to time. The Board also regularly meets and reviews the operations of the Company under the leadership of Mr. Chen Xiangyu on a quarterly basis.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. The arrangement will have no effect on the balance of power and authority between Board and the Company's senior management team. The Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

Save as disclosed above, the Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2020. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the for the six months ended June 30, 2020.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period for the six months ended June 30, 2020, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the six months ended June 30, 2020 and has met with the external auditors, PricewaterhouseCoopers, 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.

## **SUBSEQUENT EVENT**

There is no material subsequent event undertaken by the Group after June 30, 2020.

## **PUBLICATION OF INTERIM RESULTS AND 2020 INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.idreamsky.com>). The interim report of the Company for the six months ended June 30, 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company
“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
“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” or “iDreamSky”	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
“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
“HK\$” or “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
“IAS”	International Accounting Standards

“IPO proceeds”	the net proceeds of approximately HK\$776.4 million from the global offering of the shares of the Company, after deducting professional fees, underwriting commissions and other related listing expenses
“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
“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 announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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
“Shanghai Huohun”	Shanghai Huohun Internet Technology Co., Ltd.
“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

By Order of the Board  
**iDreamSky Technology Holdings Limited**  
**Chen Xiangyu**  
*Chairman of the Board*

Shenzhen, the PRC, August 25, 2020

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chen Xiangyu as Chairman and Executive Director, Mr. Guan Song and Mr. Jeffrey Lyndon Ko as Executive Directors, Mr. Ma Xiaoyi, Mr. Zhang Han, Mr. Yao Xiaoguang and Mr. Chen Yu as Non-executive Directors, and Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui as Independent Non-executive Directors.*