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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, 2022

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2022, together with the comparative unaudited figures for the corresponding period in 2021 as below. These interim results for the six months ended June 30, 2022 have been reviewed by the Audit Committee.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2022	2021	Period-on-
	RMB'000	RMB'000	period
	(Unaudited)	(Unaudited)	
Revenues	1,381,472	1,367,072	1.1%
Gross profit	591,889	518,770	14.1%
Loss before income tax	(223,255)	(80,842)	176.2%
Loss for the period	(222,000)	(67,956)	226.7%
Adjusted (loss)/profit for the period*	(156,922)	44,364	-453.7%

* 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/loss for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss, interest expenses on convertible bonds, impairment losses on contract assets, and impairment provisions on investments in associates (if any).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Gaming Business

In the first half of 2022, the Group further optimized its gaming business segment, and continued to focus on three tracks, namely competitive games, match-three puzzle games and RPGs, where we have reserved a number of self-developed games which will be successively launched. On the one hand, we gradually ceased the operation of the non-core games which are no longer in line with the Group's gaming business strategies, which led to a reduction in the number of games in operation and a decline of average MAUs and average MPUs. On the other hand, we continued to enhance our games development ability, and further increase the proportion of self-developed games, promoting the improvement of the overall gross profit margin of our gaming business. In addition, through effective operation and promotion, our core games have recorded solid performance during the Reporting Period, which propelled a bucking rise in average paying ratio of MAUs and average income from MPUs of the Group.

- **Match-three puzzle game product line**

Gardenscapes (夢幻花園) and Homescapes (夢幻家園), the classic series generation II match-three puzzle games which have been in operation for over five years, are still deeply loved by their players. We have further extended the life cycle of these game series through continuous effective operational activities. As at the end of March 2022, we entered into a distribution agreement for the iOS versions of the Gardenscapes and Homescapes, the revenue of which was on a strong rising trend during the Reporting Period, and the users are more than 100 million in total.

Based on years of accumulation on match-three puzzle games, the Company keenly explored new synthetic gameplay to tap into new fields of such games. In the first half of this year, Witch Diaries (女巫日記), the Company's first self-developed match-three puzzle game with European and American fantasy plot, has been under testing and will be launched overseas in the second half of 2022. On July 30, 2022, Merge Endless (傳說中的合合島), a self-developed synthetic match-three puzzle game integrated with national customs, was granted the publication number. It is now under testing and expected to be launched at home and abroad simultaneously in the second half of the year. Furthermore, Budding Pop (團子合合屋), another self-developed synthetic match-three puzzle game combined with adorable IP elements, is scheduled to start testing in the second half of 2022 and will be launched in due course.

- **RPG product line**

Glory All Stars (榮耀全明星), the Company's self-developed horizontal version of 3D adventurous action role-playing game, has been popular with players since its launch on Android and iOS at the end of August 2021, and has outperformed in various revenue metrics with the endorsement of Jay Chou (周杰倫). Through continuous digitalized promotion of buying traffic, we anticipate that the Glory All Stars will keep strong growth potential. Besides, Black Desert (黑色沙漠), a MMORPG mobile game jointly operated by the Company and Tencent was launched in April 2022.

The Final FireFly (小心火燭), a collectible card game self-developed by the Company was granted publication number on April 8, 2022. It is expected to start testing in the second half of 2022 and will be launched in due course. Moreover, Mechanic Origin (機械起源), a MMORPG game with cyberpunk miracle style and adopting PVE and PVP gameplay by cross-server multiplayer, will start testing in due course. In January 2022, we signed an agreement with Tencent to jointly develop/operate a new MMORPG mobile game called Open World in China, leading users to embark on an adventurous exploration in a new world by role-playing.

- **Competitive game product line**

Subway Surfers (地鐵跑酷) and Temple Run (神廟逃亡) are classic casual competitive games released by the Company, which have been in operation for more than ten years. However, through effective operational activities, their operational data have recently seen a ground-breaking bucking rise. Subway Surfers is highly recognized by users ranking first in terms of downloads in iOS App Store for days.

Calabiyau (卡拉彼丘) is a self-developed competitive game integrating innovative strategic shooting experience. On August 27, 2021, the Company authorized Tencent to release its mobile and PC versions in Mainland China. The game will start testing in due course. In addition, the Eternal Return (永恆輪迴：無限), the Company's self-developed real-time strategic competitive game, was granted the publication number on July 11, 2022. The game flexibly incorporated individual soldier development and teamfight strategy and has been elected as "One of The Most Anticipated Mobile Games" for the 2021 Jin Ling Award.

IP Derivatives Business

- **Review**

During the Reporting Period, the store opening process of QQfamily stores of the Group has been slowed down due to continuous impact of domestic COVID-19 pandemic. However, benefiting from continuous increase of stores and our extension on sales channels including Tik Tok and RED, revenue from IP derivatives has seen a significant year-on-year growth of 254.1%. Meanwhile, the Group has increased R&D investment on IP derivatives business, including R&D of IP new products and development of digital tools. In the first half of the year, product categories of IP derivatives business are becoming increasingly abundant and efficiency of operation and management has been further elevated, which advanced efficient and orderly development of our overall businesses.

Since the opening of our first QQfamily store in July 2021, in addition to continuous improvement of coverage on primary trading zones in the Greater Bay Area including Shenzhen and Guangzhou, we have been actively expanding the QQfamily offline stores in cities including Changsha, Wuhan, Chongqing and Chengdu. So far, the Group has 30 offline stores. Our unique operation model and high-quality IP and products enabled stores to attract large customer flow and develop strong rent negotiation ability and resource acquisition strengths. According to statistics, the customer flow of QQfamily stores of the Group ranked first in their trading zones, among which, Wuhan Jingkai Yongwang Store attracted more than 11,000 customers on its opening day, and store in Raffles City, Chongqing recorded a flow of over 160,000 customers within a month.

Additionally, we have also commenced the development of non-store channels. In the first quarter, we conducted online and offline distribution. In the second quarter, we opened Tik Tok and Tmall Flagship Stores consecutively. As at the end of the second quarter, sales proportion of non-store channels of IP derivatives business has seen a significant growth.

In the meantime, the Group has been dedicated to empowering culture and art industry with technology. At the end of May 2022, we launched a brand new distribution and trading platform for IP trend and art works Penta Jam (悟醬), and held a two-month “Jam Universe Pop Art Show” (宙醬•潮流藝術展). We sold 2.5D pixel works co-created with 9 renowned artists (limited edition) in the first stage, which sold well. In the future, Penta Jam will keep seeking to realize digitalized IP right certification and bring physical art works online, un-locking more market opportunities in art field.

- **Outlook**

In August 2022, Injoy Meilin (梅林卓悦匯), Shenzhen witnessed the grand opening of the first QQfamily image store in China, which themed future world adventure. This store was upgraded to a new generation of store layout design from “experience + retail” operating model. Looking forward to the second half of the year, we will further expand our presence in the Greater Bay Area, Central China, Southwest China, Yangtze River Delta and other regions. We will continue to optimize upgrading on store layout, and enhance brand recognition of QQfamily stores. Meanwhile, the Group will continue to expand various sales channels to further increase consumer reach, creating a closed-loop online and offline business. With the continuous expansion of sales scale of IP derivatives and increase of categories of IP and products, the gross profit margin of IP derivatives business will be elevated continuously.

In terms of IP, we have actively cooperated with renowned IP giants worldwide. From September 16 to September 18, 2022, we will co-host 2022 QTX Toys Expo with Tencent, which, taking the alliance of penguin IP images as a starting point, will bring the hottest trendy products in the industry together. With QTX Toys Expo, the Company is well positioned to reach more abundant industry chain resources. Going forward, the Group will deepen the strategic cooperation with important shareholders in resources and ecosystem, and continuously advance resources integration, so as to procure the gradual enrichment and diversification of our IP operation ecosystem and offer more selections for consumers.

REVENUES

The Group discloses two reportable segments, namely game and information services and IP derivatives business. For further details of the segment information, please refer to note 4 to the Interim Condensed Consolidated Financial Information.

Revenues for the six months ended June 30, 2022 increased by 1.1% to approximately RMB1,381.5 million (six months ended June 30, 2021: RMB1,367.1 million). For the six months ended June 30, 2022, revenue from game and information services business and IP derivatives business accounted for 97.0% and 3.0% (six months ended June 30, 2021: 99.1% and 0.9%) of the Group’s total revenue, respectively.

REVENUE FROM GAME AND INFORMATION SERVICES

	Six months ended June 30,			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Game revenue	1,284,430	95.9	1,189,738	87.8
Information service revenue	48,016	3.6	161,411	11.9
Other revenue	7,135	0.5	4,092	0.3
	<u>1,339,581</u>	<u>100.0</u>	<u>1,355,241</u>	<u>100.0</u>

Game revenue

We derive a majority of revenues from games, which contributed 95.9% and 87.8% of our revenue from game and information services for the six months ended June 30, 2022 and 2021, respectively. Game revenue increased from RMB1,189.7 million for the six months ended June 30, 2021 to RMB1,284.4 million for the six months ended June 30, 2022. The increase in game revenue was mainly due to the steady performance of our core games in operation.

Since its launch on both Android and iOS platforms at the end of August 2021, the self-developed game Glory All Stars has performed well in many operational metrics and gross billing data, and have maintained strong growth potential up to now. In addition, we signed the distribution agreements for the iOS versions of the Gardenscapes and Homescapes at the end of March 2022. Through our effective operating activities, the gross billing of Gardenscapes and Homescapes recorded a strong growth during the Reporting Period.

The following table summarizes our key operating metrics for the six months ended June 30, 2022 and 2021, respectively:

	Six months ended June 30,	
	2022	2021
Average MAUs (<i>million</i>)	112.0	138.0
Average MPUs (<i>million</i>)	5.6	5.8
Monthly ARPPU (<i>RMB</i>)	37.3	33.4

* Our key operating metrics included data from all games published and operated by us. During the six months ended June 30, 2022, Cross Gate (魔力寶貝) (mobile version), Ultimate Football Manager (全民冠軍足球) and Art of War III (全球行動), were the three games published and operated by Tencent, instead of us.

- **MAUs.** Our average MAUs decreased from 138.0 million for the six months ended June 30, 2021 to 112.0 million for the six months ended June 30, 2022, which was primarily due to the fact that we have stepwise terminated non-core games that were no longer in line with the Group's strategy in gaming business since 2021 and the number of games in operation has decreased.
- **MPUs.** Our average MPUs decreased from 5.8 million for the six months ended June 30, 2021 to 5.6 million for the six months ended June 30, 2022, the reason of which was in line with the decrease of MAUs.
- **Monthly ARPPU.** Our monthly ARPPU increased from RMB33.4 for the six months ended June 30, 2021 to RMB37.3 for the six months ended June 30, 2022, primarily due to the higher proportion of revenue from RPGs for the period, of which the monthly ARPPU was higher.

Information service revenue

Our information service revenue is mainly derived from our advertising business. Revenue from information services decreased from RMB161.4 million for the six months ended June 30, 2021 to RMB48.0 million for the six months ended June 30, 2022. The decrease was mainly due to the Company's active adjustment of strategies to reduce in-app advertising to improve user experience. At the same time, affected by the COVID-19 epidemic, the economic environment and the regulation of some industries, the advertising budget of advertisers has declined significantly.

Revenue from IP derivatives business

Revenues from the IP derivatives business is mainly derived from the game console experience and retails, as well as sales of designer products. For the six months ended June 30, 2022, the Group's revenue from IP derivatives business amounted to RMB41.9 million (six months ended June 30, 2021: RMB11.8 million), representing a year-on-year increase of 254.1%, which was mainly due to the increase in the number of QQfamily stores and the continuous expansion of other sales channels.

COST OF REVENUES

Our cost of revenues decreased by 6.9% from RMB848.3 million for the six months ended June 30, 2021 to RMB789.6 million for the six months ended June 30, 2022.

As a percentage of revenues, our cost of revenues decreased from 62.1% for the six months ended June 30, 2021 to 57.2% for the six months ended June 30, 2022. This was primarily due to the decrease in the proportion of games we promoted through channels, resulting in a corresponding decrease in channel costs. In the meantime, the proportion of the Company's self-developed games which had a higher gross profit margin gradually increased.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses increased by 104.9% from RMB208.1 million for the six months ended June 30, 2021 to RMB426.2 million for the six months ended June 30, 2022. As a percentage of revenues, our selling and marketing expenses increased from 15.2% for the six months ended June 30, 2021 to 30.9% for the six months ended June 30, 2022, primarily due to the increase in promotion expenses for mobile games (especially the continuous promotion of Glory All Stars by way of buying traffic, which had a phased impact on the sales and marketing expense ratio during the Period, and is expected that the preliminary buying traffic will be gradually recovered in the second half of 2022), the increase in marketing investment in the IP derivatives business segment, including the projects such as Penta Jam and QTX Toys Expo, and the increase in marketing and promotion expenses for digital tools.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses decreased by 15.9% from RMB128.8 million for the six months ended June 30, 2021 to RMB108.2 million for the six months ended June 30, 2022. As a percentage of revenues, our general and administrative expenses decreased from 9.4% for the six months ended June 30, 2021 to 7.8% for the six months ended June 30, 2022, which was due to the continuous improvement of the Group's management efficiency.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased by 12.7% from RMB163.6 million for the six months ended June 30, 2021 to RMB184.4 million for the six months ended June 30, 2022. As a percentage of revenues, our research and development expenses increased from 12.0% for the six months ended June 30, 2021 to 13.3% for the six months ended June 30, 2022. The increase in research and development expenses was mainly due to our continuous investment in the R&D of core self-developed games and the design and development of new IP derivatives products, as well as the increased investment in digital tools.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

We recorded net impairment losses on financial assets and contract assets of RMB46.2 million and RMB33.3 million for the six months ended June 30, 2022 and 2021, respectively.

FINANCE COSTS, NET

Our finance costs, net increased by 94.6% from RMB37.4 million for the six months ended June 30, 2021 to RMB72.7 million for the six months ended June 30, 2022. The main reason for the increase in finance costs, net was that we incurred a foreign exchange loss of RMB11.8 million for the six months ended June 30, 2022, as compared to a foreign exchange gain of RMB25.6 million for the six months ended June 30, 2021.

INCOME TAX CREDIT

We recorded income tax credit of RMB1.3 million for the six months ended June 30, 2022, as compared to income tax credit of RMB12.9 million for the six months ended June 30, 2021.

LOSS FOR THE PERIOD

We recorded a net loss of RMB222.0 million and RMB68.0 million for the six months ended June 30, 2022 and 2021, respectively.

OTHER FINANCIAL INFORMATION

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Adjusted (loss)/profit for the period ⁽¹⁾	(156,922)	44,364
EBITDA ⁽²⁾	(24,667)	103,918
Adjusted EBITDA ⁽³⁾	6,557	185,859

Notes:

- (1) Adjusted profit/loss for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss, interest expenses on convertible bonds, impairment losses on contract assets, and impairment provisions on investments in associates (if any). The adjusted profit for the six months ended June 30, 2021 was restated and adjusted to remain comparable for the same period.
- (2) EBITDA is net income or loss before interest expense, income tax credit, depreciation and amortization.
- (3) Adjusted EBITDA is calculated using adjusted profit/loss for the period, adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets, income tax credit and interest expense.

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL MEASURES

To supplement the consolidated financial statements of the Group prepared in accordance with IFRS, three non-IFRS measures, namely adjusted profit for the period, EBITDA and adjusted EBITDA, have been presented in this announcement as additional financial measures. 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, 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliation of loss for the period to adjusted (loss)/ profit for the period:		
Loss for the period	(222,000)	(67,956)
Add: Fair value losses on financial assets at fair value through profit or loss	19,420	19,692
Add: Share-based compensation expenses	11,689	27,748
Add: Fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss	—	21,135
Add: Impairment losses on contract assets	115	1,031
Add: Impairment provisions on investments in associates	—	12,335
Add: Interest expenses on convertible bonds	33,854	30,379
Adjusted (loss)/profit for the period	<u>(156,922)</u>	<u>44,364</u>

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reconciliation of loss for the period to EBITDA and adjusted EBITDA:		
Loss for the period	(222,000)	(67,956)
Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets	17,999	17,299
Add: Amortization of intangible assets	103,692	101,739
Add: Income tax credit	(1,255)	(12,886)
Add: Interest expense	76,897	65,722
	<hr/>	<hr/>
EBITDA	(24,667)	103,918
Add: Fair value losses on financial assets at fair value through profit or loss	19,420	19,692
Add: Share-based compensation expenses	11,689	27,748
Add: Fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss	—	21,135
Add: Impairment losses on contract assets	115	1,031
Add: Impairment provisions on investments in associates	—	12,335
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Adjusted EBITDA	<u>6,557</u>	<u>185,859</u>

LIQUIDITY AND FINANCIAL RESOURCES

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

As of June 30, 2022, the Group's total cash and cash equivalents decreased by 74.7% to approximately RMB180.8 million from approximately RMB714.8 million as of December 31, 2021. Our cash and cash equivalents were primarily denominated in RMB, HKD, EUR and USD.

As of June 30, 2022, the Group's total borrowings amounted to approximately RMB1,051.4 million (December 31, 2021: RMB1,350.4 million). The nature of the Group's borrowings is summarized as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Secured bank borrowings	1,051,417	1,330,430
Unsecured other borrowings	<u>—</u>	<u>20,000</u>
	<u>1,051,417</u>	<u>1,350,430</u>

The carrying amount of the Group's borrowings are denominated in the following currencies:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
RMB	635,400	791,500
EUR	<u>416,017</u>	<u>558,930</u>
	<u>1,051,417</u>	<u>1,350,430</u>

As of June 30, 2022, the current assets of the Group amounted to approximately RMB3,325.4 million, and the current liabilities of the Group amounted to approximately RMB1,689.5 million. As of June 30, 2022, the current ratio (calculated on basis of the current assets to current liabilities) of the Group was 1.97 as compared with 2.42 as of December 31, 2021.

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 of June 30, 2022, the debt ratio of the Group was 34.6% as compared with 36.3% as of December 31, 2021.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, interest payable and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as “equity” as shown in the consolidated statement of financial position. As of June 30, 2022 and December 31, 2021, the Group’s gearing ratio was 33.8% and 26.3%, respectively.

PLEDGE OF ASSETS

Among the total borrowings of the Group as of June 30, 2022, approximately RMB641.4 million (December 31, 2021: RMB835.9 million) were secured by the Group’s certain trade receivables, certain game intellectual properties and certain deposits which accounted for approximately 61.0% (December 31, 2021: 61.9%) of the Group’s total borrowings.

CONTINGENT LIABILITIES

As of June 30, 2022, the Group did not have any unrecorded significant contingent liabilities or guarantees made by us (December 31, 2021: nil).

CAPITAL EXPENDITURE

For the six months ended June 30, 2022, our total capital expenditure was approximately RMB108.3 million, compared to RMB185.8 million for the six months ended June 30, 2021. 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, debt financing and equity financing. 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

For the six months ended June 30, 2022, the Group did not have any material acquisitions, disposals or significant investments.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates internationally and is exposed to the foreign exchange risk arising from various currencies, primarily RMB, HKD, EUR and USD. Therefore, the 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 the foreign exchange risk by performing regular reviews of its 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, 2022 and 2021.

EMPLOYEE AND REMUNERATION POLICY

We had 1,081 and 1,113 full-time employees as of June 30, 2022 and December 31, 2021, respectively. Substantially all of our employees are from 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. 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.

In accordance with the laws and regulations in the PRC, the PRC-based employees of the Group participate in various defined contribution retirement benefit plans, under which such employees and the Group are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

There was neither forfeited contribution utilized to offset employers' contributions for the six months ended June 30, 2022 and the year ended December 31, 2021, nor forfeited contribution available to reduce the contribution payable in the future years as of June 30, 2022 and December 31, 2021.

We provide talent management training program for our senior management to help them enhance their strategic vision and leadership skills. We also provide employees with job-specific training, such as customer service training and compliance management training, as well as theme-specific training such as Techtalk activities, induction training for fresh graduates and employee sharing activities. Through these series of trainings, we help employees improve their professional skills and comprehensive qualities.

USE OF PROCEEDS FROM THE PLACING AND THE SUBSCRIPTION

According to the announcement of the Company dated November 28, 2021, the Directors consider that the purpose of the Placing and the Subscription is to strengthen the financial position of the Group and provide long-term funding for the Group's expansion and growth plans. The intended use of proceeds is in line with the strategic focus of our Group to enhance our game development capabilities, further enrich our game portfolio and increase our active user base, as well as accelerate the expansion of the Group's offline stores to further promote the development of designer product business. In addition, the Directors consider that it is in line with the interest of the Company to expand the shareholder base and the capital base of the Company. On the date of the placing agreement (i.e. November 26, 2021), the Company and the placing agent determined the share placing price at HKD5.92 per Share after arm's length negotiations with reference to the market price of the Shares. On the same date, the Company and the subscribers determined the share subscription price to be the same as the placing price after arm's length negotiations with reference to the market price and the placing price of the Shares. On November 26, 2021, the closing price of the Shares as quoted on the Stock Exchange was HKD6.53 per Share.

On December 13, 2021, the Company completed the placing of 72,280,000 ordinary Shares (the "**Placing Shares**") according to general mandate. The Placing Shares have been placed by the placing agent to five independent third-party placees, being respectively Andy Xiong Holdings Limited, Keywise Capital Management (HK) Limited, Yong Rong Global Excellence Fund, EverFund, and Yong Rong Zhong Yong No.1 PE Investment Fund. For details, please refer to the announcement of the Company dated December 13, 2021.

On February 28, 2022, the Company completed the allotment and issue of 32,854,730 ordinary Shares with par value of USD0.0001 per Share (the "**Subscription Shares**") according to specific mandate to Brilliant Seed Limited, Tencent Mobility Limited and Instant Sparkle Limited. For details, please refer to the announcement of the Company dated February 28, 2022.

The actual net proceeds from the Placing Shares and the Subscription Shares were approximately HKD427.0 million and HKD194.5 million respectively, equivalent to approximately RMB349.2 million and RMB159.1 million respectively at the exchange rate of RMB0.8178 to HKD1.00. The net subscription price per Placing Share and the net placing price per Subscription Share, after deduction of relevant expenses, are approximately HKD5.92.

As of June 30, 2022, the amount of proceeds from the Placing Shares and the Subscription Shares utilised according to the intended purposes was RMB307.4 million and RMB29.9 million, respectively, whereas the unutilised proportion amounted to RMB41.8 million and RMB129.2 million, respectively, and is expected to be used in accordance with the intended purposes in the second half of 2022. The table below sets out the details of the actual utilised amount and unutilised amount:

	As of June 30, 2022			
	Actual utilised net amount of proceeds from the Placing Shares <i>RMB million</i>	Actual utilised net amount of proceeds from the Subscription Shares <i>RMB million</i>	Unutilised amount of proceeds from the Placing Shares <i>RMB million</i>	Unutilised amount of proceeds from the Subscription Shares <i>RMB million</i>
Proceeds from the Placing Shares and Subscription Shares				
General working capital	32.00	18.00	—	—
R&D for further expansion of the Company's self-developed game portfolio ⁽¹⁾	179.52	—	30.48	93.00
Expansion of the offline stores of the Group ⁽²⁾	58.64	—	11.36	36.20
Other possible investments in the future ⁽³⁾	37.23	11.86	—	—
Total	307.39	29.86	41.84	129.20

Notes:

- (1) At this stage, the self-developed games of the Company under the R&D include match-three puzzle games, shooting and competitive games and RPGs, which are expected to be launched in the second half of 2022 and/or 2023, subject to the specific R&D progress.
- (2) The Company intends to use the amount for establishing and launching QQfamily offline stores in popular commercial districts of the first and second-tier cities across Mainland China.
- (3) The Company intends to electively pursue other possible investment opportunities in the future, including but not limited to forming strategic alliances and partnerships, and pursue investments and acquisitions in businesses that are synergistic and complementary to the Group's ecosystem, including businesses that can enhance the Company's game research and development capabilities and strengthen the Company's IP derivatives business.
- (4) Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

		Six months ended June 30,	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenues	5	1,381,472	1,367,072
Cost of revenues	6	(789,583)	(848,302)
Gross profit		591,889	518,770
Selling and marketing expenses	6	(426,229)	(208,067)
General and administrative expenses	6	(108,239)	(128,760)
Research and development expenses	6	(184,379)	(163,599)
Net impairment losses on financial assets and contract assets	6	(46,188)	(33,279)
Other income	7	18,634	23,457
Other gains/(losses), net	7	23,440	(2,955)
Fair value losses on financial assets at fair value through profit or loss		(19,420)	(19,692)
Operating loss		(150,492)	(14,125)
Finance income		4,182	28,351
Finance costs		(76,897)	(65,722)
Finance costs, net		(72,715)	(37,371)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss		—	(21,135)
Share of results of investments accounted for using the equity method		(48)	(8,211)
Loss before income tax		(223,255)	(80,842)
Income tax credit	8	1,255	12,886
Loss for the period		(222,000)	(67,956)

		Six months ended June 30,	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
— Currency translation differences		183,875	(14,190)
Items that may be reclassified to profit or loss			
— Currency translation differences		<u>(141,149)</u>	<u>10,507</u>
Total comprehensive loss for the period		<u>(179,274)</u>	<u>(71,639)</u>
Loss for the period attributable to:			
— Equity holders of the Company		(203,305)	(73,495)
— Non-controlling interests		<u>(18,695)</u>	<u>5,539</u>
		<u>(222,000)</u>	<u>(67,956)</u>
Total comprehensive loss attributable to:			
— Equity holders of the Company		(160,579)	(77,178)
— Non-controlling interests		<u>(18,695)</u>	<u>5,539</u>
		<u>(179,274)</u>	<u>(71,639)</u>
Losses per share			
— Basic losses per share (<i>in RMB</i>)	9	<u>(0.15)</u>	<u>(0.06)</u>
— Diluted losses per share (<i>in RMB</i>)	9	<u>(0.15)</u>	<u>(0.06)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

		As of June 30, 2022	As of December 31, 2021
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		80,632	62,249
Intangible assets		1,675,028	1,694,129
Investment properties		31,253	31,860
Right-of-use assets		172,569	156,383
Investments accounted for using the equity method		389,226	372,185
Financial assets at fair value through profit or loss		456,996	457,507
Prepayments and other receivables	11	55,608	31,152
Goodwill		73,222	73,222
Contract assets		—	159
Deferred tax assets		126,876	125,572
		<u>3,061,410</u>	<u>3,004,418</u>
Current assets			
Inventories		12,940	11,331
Trade receivables	10	748,117	781,346
Amounts due from related parties		9,144	5,382
Prepayments and other receivables	11	2,227,751	1,917,866
Contract assets		—	295
Contract costs		61,021	91,296
Financial assets at fair value through profit or loss		77,658	73,959
Restricted cash		7,999	10,246
Cash and cash equivalents		180,751	714,801
		<u>3,325,381</u>	<u>3,606,522</u>
Total assets		<u><u>6,386,791</u></u>	<u><u>6,610,940</u></u>

		As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		914	893
Share premium		3,324,180	3,165,141
Treasury Shares		(28,853)	(21)
Reserves		800,253	744,982
(Accumulated losses)/retained earnings		(179,250)	24,055
		<u>3,917,244</u>	<u>3,935,050</u>
Non-controlling interests		<u>257,534</u>	<u>274,192</u>
Total equity		<u>4,174,778</u>	<u>4,209,242</u>
LIABILITIES			
Non-current liabilities			
Borrowings	13	1,000	450,719
Lease liabilities		74,392	59,945
Convertible bonds	12	447,137	401,461
		<u>522,529</u>	<u>912,125</u>
Current liabilities			
Borrowings	13	1,050,417	899,711
Lease liabilities		25,884	19,881
Trade payables	14	169,747	112,500
Other payables and accruals		212,541	166,531
Current income tax liabilities		40,619	40,310
Deferred government grants		60	467
Contract liabilities		190,216	250,173
		<u>1,689,484</u>	<u>1,489,573</u>
Total liabilities		<u>2,212,013</u>	<u>2,401,698</u>
Total equity and liabilities		<u>6,386,791</u>	<u>6,610,940</u>

NOTES:

1 General information

iDreamSky Technology Holdings Limited (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, Uglund House, Grand Cayman, KY1-1104 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”) are principally engaged in mobile game development and operating, and game console experience and retails, as well as sales of trendy products in the People’s Republic of China (the “**PRC**” or “**China**”).

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**HKEX**”) since December 6, 2018.

This interim condensed consolidated financial information for the six months ended June 30, 2022 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated. This Interim Financial Information was approved for issue by the Board of Directors on August 30, 2022.

2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34 (“**IAS 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, 2021 (the “**2021 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2021 annual report of the Company dated March 30, 2022.

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 2021 Financial Statements and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) *New and amended standards adopted by the Group*

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2022. The adoption of these new and revised standards does not have any significant impact on the interim condensed consolidated financial information.

(b) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after January 1, 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1, and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
IFRS 17 and Amendments to IFRS 17	Insurance contract	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRSs.

4 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the Group's Chief Operating Decision Makers ("CODM"). The Group's CODM has been identified as the Chief Executive Officer ("CEO"), who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. Since 2021, the CEO of the Group consider that the Group's operations are operated and managed on below two reportable segments:

Game and information services

The segment of game and information services mainly includes (a) game distribution; (b) game development and co-operation; and (c) information services.

IP derivatives business

The segment of IP derivatives business primarily offers game console experience and retails, game and cultural IP-themed sales of trendy products.

The CODM assesses the performance of the operating segments mainly based on segment revenues, cost of revenues, gross profit and segment results. The segment results are calculated as segment gross profit minus operating expenses (including selling and marketing expenses, general and administrative expenses and research and development expenses but excluding some unallocated portions) of each operating segment. Thus, segment results would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenues are mainly generated in the PRC.

The segment information and the reconciliation with loss before income tax provided to the Group's CODM for the reportable segments for the six months ended June 30, 2022 and 2021 is as follows:

	<u>Six months ended June 30, 2022</u>		
	Game and information services RMB'000 (Unaudited)	IP derivatives business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenues	1,339,581	41,891	1,381,472
Cost of revenues	<u>(759,561)</u>	<u>(30,022)</u>	<u>(789,583)</u>
Gross profit	<u>580,020</u>	<u>11,869</u>	<u>591,889</u>
Segment results	<u>3,300</u>	<u>(38,635)</u>	<u>(35,335)</u>
<i>Reconciliation:</i>			
Unallocated operating expenses			(91,623)
Net impairment losses on financial assets and contract assets			(46,188)
Other income			18,634
Other gains, net			23,440
Fair value losses on financial assets at fair value through profit or loss			(19,420)
Finance income			4,182
Finance costs			(76,897)
Share of results of investments accounted for using the equity method			<u>(48)</u>
Loss before income tax			<u><u>(223,255)</u></u>

Six months ended June 30, 2021

	Game and information services <i>RMB'000</i> (Unaudited)	IP derivatives business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenues	1,355,241	11,831	1,367,072
Cost of revenues	<u>(842,399)</u>	<u>(5,903)</u>	<u>(848,302)</u>
Gross profit	<u>512,842</u>	<u>5,928</u>	<u>518,770</u>
Segment results	<u>109,547</u>	<u>(21,231)</u>	<u>88,316</u>

Reconciliation:

Unallocated operating expenses		(69,972)
Net impairment losses on financial assets and contract assets		(33,279)
Other income		23,457
Other losses, net		(2,955)
Fair value losses on financial assets at fair value through profit or loss		(19,692)
Finance income		28,351
Finance costs		(65,722)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss		(21,135)
Share of results of investments accounted for using the equity method		<u>(8,211)</u>
Loss before income tax		<u><u>(80,842)</u></u>

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

5 Revenues

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Game and information services revenue		
Game revenue	1,284,430	1,189,738
Information service revenue	48,016	161,411
Other revenue	7,135	4,092
IP derivatives revenue	41,891	11,831
	<u>1,381,472</u>	<u>1,367,072</u>

The timing of revenues recognition by category is as follows:

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At a point in time	487,650	416,593
Over time	893,822	950,479
	<u>1,381,472</u>	<u>1,367,072</u>

6 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:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Channel costs	460,847	569,941
Promotion and advertising expenses	398,210	182,106
Employee benefits expenses	201,101	171,181
Revenue share to content providers	179,011	139,636
Amortization of intangible assets	103,692	101,739
Impairment provisions for financial assets and contract assets	46,188	33,279
Technical and development services fee in relation to game development and others	29,101	66,315
Impairment provisions for intangible assets	27,238	36,542
Cost of goods	27,027	4,784
Impairment provisions for prepayments	20,623	5,883
Cloud computing, bandwidth and server custody fees	15,300	15,013
Depreciation of right-of-use assets	13,179	8,873
Professional service fees	10,398	13,848
Travelling and entertainment expenses	4,599	7,017
Depreciation of property, plant and equipment	4,213	7,819
Short-term rental and utilities expenses	2,778	2,339
Other tax expenses	1,269	2,577
Auditor's remuneration-Audit services	—	800
Depreciation of investment properties	607	607
Others	9,237	11,708
	<hr/>	<hr/>
Total 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	<u>1,554,618</u>	<u>1,382,007</u>

7 Other income and other gains/(losses), net

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants	8,745	17,010
Additional deduction of value-added tax	9,332	5,652
Rental income	448	795
Interest income from wealth management products	109	—
	<u>18,634</u>	<u>23,457</u>
Other gains/(losses), net		
Impairment of investments in an associate	—	(12,335)
Net losses on disposal of property, plant and equipment	(18)	(311)
Net gains on disposal of financial assets	300	866
Gains on disposal of investments in associates and joint ventures	324	6,526
Gains on disposal of a subsidiary	22,506	—
Gains on disposals of right-of-use assets	116	1,916
Others	212	383
	<u>23,440</u>	<u>(2,955)</u>

8 Income tax credit

The income tax credit of the Group for the six months ended June 30, 2022 and 2021 is analyzed as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	49	5,093
Deferred income tax	(1,304)	(17,979)
Income tax credit	<u>(1,255)</u>	<u>(12,886)</u>

9 Losses per share and dividends

(a) Losses per share

(i) Basic

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	(203,305)	(73,495)
Weighted average number of shares in issue (thousands)	1,382,183	1,233,186
Basic losses per share (in RMB)	(0.15)	(0.06)

Basic losses 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, excluding ordinary shares purchased by the Group and held as treasury shares.

(ii) Diluted

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

As the Group incurred losses for the six months ended June 30, 2022 and 2021, the impact of employee incentive plan and convertible bonds were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the six months ended June 30, 2022 and 2021 are the same as basic losses per share.

(b) Dividends

The Board of Directors resolved that no interim dividend shall be declared for the six months ended June 30, 2022 (during the six months ended June 30, 2021: nil).

10 Trade receivables

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Third parties	843,696	852,231
Related parties	23,638	16,202
	867,334	868,433
Less: provision for impairment	(119,217)	(87,087)
	<u>748,117</u>	<u>781,346</u>

- (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 of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Within 3 months	301,438	202,698
3 months to 1 year	203,823	391,224
1 to 2 years	296,823	254,215
2 to 3 years	62,916	18,184
Over 3 years	2,334	2,112
	<u>867,334</u>	<u>868,433</u>

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

	Six months ended June 30, 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	87,087	97,969
Provision for impairment	38,450	19,246
Receivables written off during the period as uncollectible	(6,320)	(16,373)
At the end of the period	<u>119,217</u>	<u>100,842</u>

The majority of the Group's trade receivables was denominated in RMB.

As of June 30, 2022, the carrying amounts of the accounts receivable were approximate to their fair values.

- (c) As of June 30, 2022, and December 31, 2021, trade receivables of RMB78,776,000 and RMB12,449,000 respectively were pledged to secure certain bank facilities granted to the Group.

11 Prepayments and other receivables

	As of June 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Included in non-current assets		
Non-current portion of loans to third parties	51,278	27,127
Non-current portion of loans to employees	597	1,157
Prepayment for intangible assets	5,070	3,254
Less: provision for impairment	(1,337)	(386)
	<u>55,608</u>	<u>31,152</u>
Included in current assets		
Prepaid revenue sharing to content providers	1,051,056	1,083,335
Prepaid advertising expenses	620,166	488,522
Current portion of loans to third parties	381,213	205,362
Prepayment to related parties	74,006	41,620
Recoverable value-added tax	40,860	37,186
Rental and other deposits	10,518	8,206
Current portion of loans to employees	3,422	5,292
Others	59,994	68,613
Less: provision for impairment	(13,484)	(20,270)
	<u>2,227,751</u>	<u>1,917,866</u>

12 Convertible bonds

On October 6, 2020, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD775,000,000 (equivalent to approximately RMB673,312,000) due October 16, 2025 (the “**2025 Convertible Bonds**”), with an initial conversion price of HKD4.99 per share. The 2025 Convertible Bonds bear interest rate of 3.125% per annum, payable semi-annually, with maturity of 5 years from the issuance date and can be converted into shares of the Company at the holder’s option at any time on or after the date which is 41 days after the issuance date up to the close of business on the date falling seven days prior to the maturity date at an initial conversion price of HK\$4.99 per share. On October 16, 2020, the 2025 Convertible Bonds were issued.

The 2025 Convertible Bonds was recognized as liability component and equity component as follows:

- (a) The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Group. Embedded financial derivatives, comprised the fair value of the option of the holders of the 2025 Convertible Bonds to require the Company to redeem the 2025 Convertible Bonds; and the fair value of the option of the Company to redeem the 2025 Convertible Bonds. These embedded early redemption options are closely related to the host debt as the redemption amount is principal amount together with accrued but unpaid interest, therefore they are not able to be accounted for separately. The initial value of the liability component and the fair value of the embedded redemption options were recognized as a single liability component, and it subsequently carried at amortized cost.
- (b) Equity component, being the conversion option of the 2025 Convertible Bonds, initially recognized at the residual amount after deducting the value of the aforesaid single liability component from the net proceeds at the initial recognition.

Movement of the 2025 Convertible Bonds is set out as follows:

	Liability <i>RMB'000</i> (Unaudited)	Equity <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
As of January 1, 2022	401,461	262,620	664,081
Interest expenses	33,854	—	33,854
Coupon interests paid	(10,068)	—	(10,068)
Currency translation differences	21,890	—	21,890
	<u>447,137</u>	<u>262,620</u>	<u>709,757</u>
As of June 30, 2022	447,137	262,620	709,757
As of January 1, 2021	367,874	262,620	630,494
Interest expenses	30,379	—	30,379
Coupon interests paid	(10,179)	—	(10,179)
Currency translation differences	(3,562)	—	(3,562)
	<u>384,512</u>	<u>262,620</u>	<u>647,132</u>
As of June 30, 2021	384,512	262,620	647,132

Interest expense are calculated by applying the effective interest rate of 16.73% per annum to the liability component.

The 2025 Convertible Bonds are guaranteed by the Company.

As of June 30, 2022, there has been no conversion of the 2025 Convertible Bonds.

13 Borrowings

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Included in non-current liabilities		
Secured bank borrowings (a)	<u>1,000</u>	<u>450,719</u>
Included in current liabilities		
Secured bank borrowings (a)	400,400	447,500
Current portion of long-term bank borrowings, secured (a)	650,017	432,211
Unsecured other borrowings	<u>—</u>	<u>20,000</u>
	<u>1,050,417</u>	<u>899,711</u>
	<u><u>1,051,417</u></u>	<u><u>1,350,430</u></u>

The Group's long-term bank borrowings bear weighted average interest rate of 4.27% (2021: 4.52%) per annum, and the short-term bank borrowings bear weighted average interest rate of 4.99% (2021: 4.42%) per annum.

(a) The pledge and guarantee related to bank borrowings is as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Secured by		
— the pledge of certain trade receivables of a subsidiary of the Company		
— the deposit of EUR1,692,000		
— the shares of several oversea subsidiaries of the Company		
— the shares of a subsidiary of the Company*	416,017	558,930
Guaranteed by the Company, and/or certain subsidiaries of the Company	354,000	494,500
Secured by the pledge of assets of the Group (including trade receivables, intellectual properties and licenses or term deposits), and/or guaranteed by the Company and/or its subsidiaries	281,400	277,000
	<u>1,051,417</u>	<u>1,330,430</u>

* In March 2020, the Company entered into a three-year loan facility agreement with a bank, where a loan facility up to EUR92,000,000 was made available to the Company. As of June 30, 2022, the loan balance of RMB416,017,000 net of transaction cost was borrowed from aforesaid loan facility agreement. Restricted cash of RMB7,999,000 is pledged deposit for this aforesaid loan.

(b) The maturity of the Group's borrowings is as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Within 1 year	1,050,417	899,711
Between 1 and 2 years	1,000	450,719
	<u>1,051,417</u>	<u>1,350,430</u>

14 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 of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Within 3 months	116,063	45,047
3 months to 1 year	42,571	48,165
1 to 2 years	9,834	13,815
2 to 5 years	1,279	5,473
	<u>169,747</u>	<u>112,500</u>

INTERIM DIVIDEND

The Board did not propose any interim dividends for the six months ended June 30, 2022 (for the six months ended June 30, 2021: Nil).

COMPLIANCE WITH THE CG 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 CG 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, 2022.

Under code provision C.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 meetings 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 provides the Board members 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, 2022. 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 as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended June 30, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2022, the Company repurchased 3,444,000 Shares, 4,824,800 Shares and 526,400 Shares (a total of 8,795,200 Shares) on the Stock Exchange in April, May and June 2022 respectively for a total consideration (before expenses) of HKD33,983,355.52 as the Board considered that the value of the Shares did not reflect its intrinsic value and the Share repurchase reflected the Board's confidence in the Company's long-term business prospects and its growth potential.

Details of the repurchase are as follows:

Month	Total number of Shares repurchased	Highest purchase price per Share HKD	Lowest purchase price per Share HKD	Total consideration (before expenses) HKD
April 2022	3,444,000	3.680	2.710	10,518,102.00
May 2022	4,824,800	4.820	3.800	20,839,125.52
June 2022	<u>526,400</u>	5.010	4.920	<u>2,626,128.00</u>
	<u><u>8,795,200</u></u>			<u><u>33,983,355.52</u></u>

As of the date of this announcement, the above repurchased Shares have not yet been cancelled.

Save as disclosed above, the Group did not purchase, sell or redeem any of the Company's listed securities for the six months ended June 30, 2022.

AUDIT COMMITTEE

The Audit Committee comprises four members: three independent non-executive Directors, namely Mr. Zhang Weining (Chairman), Ms. Yu Bin, Mr. Li Xintian, and one non-executive Director, Mr. Zhang Han. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting and internal control matters.

PUBLICATION OF INTERIM RESULTS AND 2022 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.idreamsky.com). The interim report of the Company for the six months ended June 30, 2022 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:

“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 game revenue 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
“AVISTA”	Avista Business Consulting (Shanghai) Co., Ltd., an independent valuer engaged by the management
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code 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 1119
“Director(s)”	the director(s) of the Company

“EUR”	Euro, the legal currency of the member states of the European Union
“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 legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	International Accounting Standards
“IFRS(s)”	International Financial Reporting Standards
“IP(s)”	intellectual property(ies)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“match-three 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”	massively multiplayer online role-playing game
“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
“Placing”	Completed on December 13, 2021, the placement of 72,280,000 Shares to five independent investors at the price of HKD5.92 per Share
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement only, the Hong Kong Special Administrative Region of the PRC, the Macao 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
“PVE”	Player versus Environment, a game mode that the opponent(s) of the player are computer controlled AI, commonly known as non-player-characters (NPCs)
“PVP”	Player versus Player, a game mode that around player-against-player combat, which is between actual human players
“Reporting Period”	the six months ended June 30, 2022
“RMB”	Renminbi, the legal currency of the PRC
“RPG(s)”	games in which users assume the roles of characters in a fictional setting
“Share(s)”	ordinary share(s) of the Company with a nominal value of USD0.0001 each in the share capital of the Company
“Shenzhen iDreamSky”	Shenzhen iDreamSky Technology Co., Ltd. (深圳市创梦天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	Completed on February 28, 2022, the subscription of 32,854,000 Shares by three related subscribers at the price of HKD5.92 per Share
“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

“Tianjin Huohun”	Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司), a non-wholly owned subsidiary of the Company incorporated in the PRC, formerly named Shanghai Huohun Internet Technology Co., Ltd., which changed its name to Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司) in January 2021
“USD”	U.S. dollars, the legal currency of the United States of America
“%”	per cent

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

Shenzhen, the PRC, August 30, 2022

As at the date of this announcement, the Board 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.