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

ANNUAL REPORT 2022

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Ma Xiaoyi
Mr. Zhang Han
Mr. Yao Xiaoguang
Mr. Chen Yu

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

STRATEGY COMMITTEE

Mr. Chen Xiangyu *(Chairman)*
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Ma Xiaoyi
Mr. Yao Xiaoguang
Mr. Chen Yu
Mr. Zhang Weining
Mr. Mao Rui

AUTHORIZED REPRESENTATIVES

Mr. Guan Song
Ms. Leung Suet Lun
(Resigned on March 30, 2022)
Ms. Ng Ka Man (ACG, HKACG)
(Appointed on March 30, 2022)

JOINT COMPANY SECRETARIES

Ms. Tang Xu
Ms. Leung Suet Lun
(Resigned on March 30, 2022)
Ms. Ng Ka Man (ACG, HKACG)
(Appointed on March 30, 2022)

LEGAL ADVISOR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
10 Chater Road
Central, Hong Kong

REGISTERED OFFICE

The offices of Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEADQUARTER

16/F, Unit 3, Block A
Kexing Science Park
15 Ke Yuan Road
Nanshan District
Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Shenzhen Zhongxinqu Sub-branch
1/F and 2/F, Block B
International Chamber of Commerce Building
138 Fuhua Yi Road
Futian District
Shenzhen
Guangdong Province
PRC

Bank of China
Zhongxing Sub-branch
West Side, 1/F, ZTE R&D Building
13 Gaoxin South Road Four
Nanshan District
Shenzhen
Guangdong Province
PRC

COMPANY'S WEBSITE

www.idreamsky.com

STOCK CODE

1119

DATE OF LISTING

December 6, 2018

Financial Highlights

	For the year ended December 31,			
	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Revenues	2,364,641	3,212,118	2,637,637	**2,734,124**
Gross profit	1,038,823	1,335,764	1,103,341	**421,200**
Profit/(loss) before income tax	297,047	(574,478)	(181,180)	**(2,577,058)**
Profit/(loss) for the year	267,833	(564,996)	(155,930)	**(2,589,917)**
Adjusted profit/(loss) for the year*	443,640	162,253	110,799	**(642,906)**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	5,618,071	6,086,762	6,752,841	6,610,940	**4,323,718**
Total liabilities	2,439,965	2,141,169	3,037,000	2,401,698	**2,529,176**
Total equity	3,178,106	3,945,593	3,715,841	4,209,242	**1,794,542**

* To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit/loss for the year 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 year was derived from our profit/loss for the year excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment provision of contract assets, impairment provision of investments in associates, fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss, interest expense on convertible bonds, impairment provision of goodwill resulting from a business combination, provision for impairment of intangible assets, provision for impairment of financial assets, provision for impairment of prepayments and exchange losses/gains, net.

To our Shareholders:

Looking back on 2022, it was a tough year. Epidemics troubled us repeatedly throughout the year, the polarization of the world exacerbated, and the economy was shrouded in the haze of the interest rate hike cycle, which signified that the global business environment fell into extreme uncertainty.

Braving the complex external environment, we are committed to our increasingly clear long-term strategy of focusing on and deepening our main game business, and continuously enhancing our innovation ability and improving product profitability. Meanwhile, we are also committed to fundamentally optimizing our response capabilities to customer needs, namely achieving finer granularity in game development and pre-test and verification through digital tools for improving product certainty and player experience. Internally, we will continue to execute the strategy of cost reduction and efficiency increase, with the aim of turning loss into profit in financial year of 2023.

After 14 years of experience in game development and operation, iDreamSky has formed our unique product and user characteristics. The Company has the exclusive operation of multiple high-profile games in China with large user bases, including Gardenscapes (夢幻花園), Homescapes (夢幻家園), Subway Surfers (地鐵跑酷) and Temple Run (神廟逃亡), all of which are classic products with long lifecycles, high active users, and high user stickiness. Even after being launched for 6 years or more, they still maintain tens of millions of DAU and stable revenue. And the stable cash flow from our game operations has provided crucial financial support for the Company's several years of exploration into several new businesses and products such as game self-development, Fanbook and IP derivatives.

Although facing many challenges in 2022, looking inside ourselves, we have still made considerable progress.

THE BASE OF EXQUISITE GAME SHOWED SOLID GROWTH, AND THE GROWTH MOMENTUM OF SUBWAY SURFERS REMAINED STRONG

In 2022, Subway Surfers, a 10-year-old mobile game, was brought back to its peak thanks to the team's optimization of the version for several times and hard work to improve players' experience, fueled by the summer co-creation campaign launched by Fanbook. As a result, the game had been ranking the 1st on the iOS app download list for 33 consecutive days, accomplished a remarkable achievement in the history of mobile games in China. During the Spring Festival in 2023, the highest number of single-day active users of Subway Surfers exceeded 10 million and the MAU exceeded 100 million amidst fierce competition. On that basis, the social attributes of Subway Surfers have also played an important advantage, with the total number of people sending conversations and emojis in-game and the times of sending them exceeded 30% and 870 million respectively, and the game battles exceeded 1.25 billion times. Games with high social attributes represent that users have social assets in the games or products, with lower churn rate. In addition, social interactions also bring more possibilities of dissemination and referral, and we are confident in the future of Subway Surfers.

Temple Run, Gardenscapes and Homescapes have also achieved good results in the past year, not only maintained high user recognition in 2022, but also contributed to the Group's steady growth in revenue. As for Gardenscapes and Homescapes, we have maintained high frequency and close interaction with our core users through Fanbook, making our product iterations more responsive and accurate. For example, we launched quality update contents one after another such as Budding Pop (長草顏糰子) and Monet's Garden (莫奈花園) in 2022, which precisely met the deeper emotional experience demands of female users, and the payment contribution by average DAU reached a new high. During the Spring Festival in 2023, following the launch of light social functions of the Farmscapes (夢幻農場) of Gardenscapes, the Company saw an increase of over 10% month-on-month for the users' daily average online duration and daily average number of logins of users, with the daily average online time exceeded 90 minutes. The user stickiness further improved.

Glory All Star (榮耀全明星), a self-developed game launched in August 2021, ranked first in the horizontal version of fighting RPG games, and contributed over RMB1 billion in gross billing to the Company in 2022. This content-drive game, with long-term operational value, has been maintaining a rising user base and revenue curve for one year and a half since its launch. It benefits mainly from our precisely matching users' interests and carrying out deep content cooperation based on celebrities and other IPs, such as Jay Chou's endorsement, collaboration with SNK and Douluo Continent (斗羅大陸) in several releases. In terms of the product system and methodology, we aligned the version, promotion and community to offer users a more in-depth and three-dimensional content experience. It is noteworthy that the launch and successful operation of Glory All Star is also an important part of our overall product matrix, proving our ability to develop and run games in addition to casual games, broadening the depth and boundary of our capabilities in self-developed and content-driven game categories.

In general, these data indicate that iDreamSky has accumulated a deep understanding of the category and a considerable user scale based on its years of experience in the publishing of exquisite games, which lead to a longer life cycle of our game portfolio compared to the industry average. In the future, we will continue to prioritize the "user experience" and, build the moat based on the reputation and trust of our users, and further optimize the product operation performance.

FANBOOK SET SAIL

Fanbook is an instant messaging user community tool based on server and channel architecture that we officially launched in July 2021. Fanbook provides the market with a large-scale user management tool that can reach users directly, while achieving better user activation and insight. This year, Fanbook has reached a significant milestone by surpassing 10 million users, topping 1 million DAU, emerging multiple servers with millions of users and generating continued revenue growth.

Under the current circumstance where traffic growth dividends are diminishing, it is especially important to better serve the acquired existing users. Unlike traditional bulk-users acquisition-led growth, community-led growth is attracting more attention and being practiced by more brands. This new logic of operation is also an effective lever for brands to transition to private domain traffic, as well as to refine the operation ability and enhance the stickiness of existing users, the products can be fundamental to extend the life cycle of the game. Taking Subway Surfers as an example, we set up the home base of the game content creators in Fanbook, with core creators in the Fanbook community as the starting point of the "flywheel" and we officially encouraged players to create some videos, which were then promoted on media platforms. At present, famous games including Black Desert (黑色沙漠), Light and Night (光與夜之戀), Battle of Balls (球球大作戰) and Mini World (迷你世界) have all opened their own user communities on Fanbook. Currently, Fanbook has become an essential tool for the Group's game operation.

In addition, Fanbook also includes many application scenarios of artificial intelligence generated content (AIGC), which enable high-frequency and multi-dimensional interactions between brands and users, as well as between users in the society thus generate more data for the AI to continually learn and iterate to serve users more efficiently and accurately. With the development of foundation model artificial intelligence technology, Fanbook will combine AI technology to create more valuable scenarios to help the team improve experience and efficiency, and expand creativity.

COST REDUCTION AND EFFICIENCY INCREASE THROUGH PRUDENT EXPENDITURE AND FOCUSING ON PRAGMATISM

With the strategic focus on our main business in the past year, the Company is actively reviewing and optimizing our cost structure and reorganizing our middle and back office organizational structure in order to seek further improvement opportunities, hence achieving scientific cost savings. In 2022, the Group's management and operating costs decreased by 20%, which was a tangible reflection of the results of cost reduction and efficiency improvement. In 2023, the Company will continue to implement the concept, drive substantial improvements in corporate profitability and operating cash flow, and pursue the maximization of long-term free cash flow.

CONTINUED IMPROVEMENT IN OPERATING CASH FLOWS

For the year ended December 31, 2022, the Group recorded net operating cash of approximately RMB94 million in its consolidated financial statements. However, affected by non-cash losses such as impairment of intangible assets and impairment of goodwill, the Group recorded a net loss for the year ended December 31, 2022. However, the Group's cash flow from operating activities has improved significantly since the second half of 2022, especially after September 2022.

The non-cash impairment provisions have an impact on the financial statements of 2022, which does not mean that the Company's fundamentals have undergone significant adverse change. Our gaming business is growing steadily, and the new game products will also be launched successively. With the strong development of the business, the Company's profitability and cash generation capability will be further improved. Since October 2022, the Group's operating net cash flow has continued to be positive every month.

In general, our main business focus in 2022 is to further divest non-core businesses and continuously increase the revenue of our core businesses, thereby improving our revenue quality. We believe that the quality of our revenue is more important than revenue itself and has more long-term significance.

LOOKING AHEAD TO 2023, WE ARE EMBRACING THE SPRINGTIME FOR THE INDUSTRY AND SELF-DEVELOPED GAMES USHER IN A HARVEST PERIOD TO DRIVE NEW GROWTH

In addition to operating our superior products, we have been striving to break through high quality games through independent development in recent years, and two of our key self-developed games will be launched in 2023.

Calabiyau (卡拉彼丘) is a nijigen competitive shooting game. With its outstanding originality, this product has been well received by the nijigen group, and has continuously dominated the Top 1 of the new game reservation list in Bilibili recently. At the beginning of the project, the project team established a user research community in Fanbook, and during the development process, they always kept sharing the results of the stages, discussing the design, interacting closely with the users and collaborating and working together. In this way, it has expanded the scale of core users and thus building up strength for the product launch. At present, Calabiyau (卡拉彼丘) has been authorized to Tencent to publish the mobile and PC versions in Mainland China, and we plan to launch and operate it in overseas markets on our own.

Ni No Kuni: Cross Worlds (二之國:交錯世界) is a Ghibli style of Isekai fantasy adventure RPG, in which there is a very stylized top quality sound and graphics. The Chinese version is currently being developed jointly by Tencent and iDreamSky. We will optimize the gaming referring to the issues faced in overseas servers and add a lot of exclusive content for the Chinese version, which is expected to be tested in the second quarter of this year.

For Fanbook, the Company will continue to focus on serving more companies in gaming and other industries in 2023, helping them connect users and efficiently manage user lifecycle value. In addition, Fanbook has actively embraced the industry's advanced AIGC technology and put it into application, for instance, we have access to the capabilities of OpenAI. In 2023, we will apply such technologies to more Fanbook content creation scenarios, and cooperate with more excellent AI enterprises or products at home and abroad to form a wider range of application products, and enhance the productivity and efficiency of enterprises through Fanbook + AI. We have carried out extensive testing in various aspects such as product, R&D and operation, and have introduced AI technology including ChatGPT and Stable Diffusion, which will greatly enhance the input-output ratio of games and other businesses.

We have split-off the IP derivatives business segment in February 2023, allowing it to independently finance, operate and develop. The Company has handed over the operation and management of this segment to the team of the IP derivatives business, which allowing the Group to focus on our main business, namely game business, and concentrate our resources on them to make sustainable and high-quality revenue. The management team believes that this arrangement serves the best interest of our Shareholders and aligns with our long term value-maximization principle of the Company.

With the industry revival, the overall external environment is gradually improving. The Company has also recently obtained licensing for two self-developed games and plans to launch them in the second half of 2023. Meanwhile, the Group's long-term operational experiences continues to support the development of exquisite games, and the efficiency improvements brought by Fanbook's large-scale user management will further boost our growth. We believe that iDreamSky's gaming business will resume rapid growth in 2023.

SOCIAL RESPONSIBILITY

For many years, we have been committed to achieve "Tech for Good" by utilizing the digital power, using games as a means of communication to broaden the boundaries of social responsibility, and proactively taking on which when providing more enjoyable cultural content to the public.

Staying true to this mission, in the past year, we empowered social welfare with our small force, with projects covering industry development, rural education revitalization, urban cultural heritage, disaster relief donations and animal protection. We always focus on the growth of youth and keep working to create a more equitable and higher quality education through the combination of increasing people's confidence and enriching their knowledge. We have cooperated with Green & Shine Foundation and Chen Xiangbo Art Charity Fund (陳湘波藝術公益基金) for facilitating the implementation of a number of sustainable public welfare projects that focus on rural revitalization and youth development. In addition, we have joined hands with the Cyberspace Affairs Office of Shenzhen Municipality to build a network data security co-protection mechanism, demonstrating our commitment to enhancing the public's sense of gain and well-being in cyberspace.

ACKNOWLEDGMENTS

Since the beginning of our business, I have always hoped iDreamSky to be an outstanding game company with creativity and constantly innovation, and bring excellent works to our players. From Fruit Ninja to today's Gardenscapes, and from source code based co-development to today's independent self-development, we always bear in mind that high-quality content is the foundation of iDreamSky's long-term development.

As the industry grows more mature, players are increasingly demanding higher quality of game products, yet it is, accompanied by the weakening dividend of user growth. In that instance, the creation of high-quality content and long-term operation are the two major challenges faced by this industry. I believe that what iDreamSky needs in the future is the ability to develop excellent works and operate them with a long life cycle, and building a collaborative co-creation scenario for R&D and operation teams and users through the Fanbook tool will continuously improve our chance to success.

During the growth of the Company, we realize that realization of this dream is more difficult than we thought. We will deeply review some detours taken in the past development process, and with all the colleagues of iDreamSky who share the same initial intentions to bring better game products to our users.

Finally, we would like to thank all our colleagues, users and investors for their long-term support and trust. In the midst of the turbulent global economic landscape, we will remain true to our initial intention and adhere to our long-termism. We firmly believe that the game industry has a bright future. Thus we will continue to focus on improving the intrinsic value of the Company and strive to win in the new challenges and opportunities of the industry development. We believe that in the near future, the results of these efforts will be seen by everyone.

Chen Xiangyu
Chairman of the Board
Shenzhen, the PRC, March 30, 2023

The following table sets forth the comparative figures for the years ended December 31, 2022 and 2021:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenues	**2,734,124**	2,637,637
Cost of revenues	**(2,312,924)**	(1,534,296)
Gross profit	**421,200**	1,103,341
Selling and marketing expenses	**(1,138,693)**	(509,687)
General and administrative expenses	**(122,455)**	(250,120)
Research and development expenses	**(322,638)**	(325,201)
Impairment losses on intangible assets	**(752,293)**	(49,673)
Net impairment losses on financial assets and contract assets	**(360,928)**	(20,580)
Other income	**34,349**	53,296
Other losses, net	**(67,352)**	(14,449)
Fair value losses on financial assets at fair value through profit or loss	**(83,150)**	(3,511)
Operating loss	**(2,391,960)**	(16,584)
Finance income	**8,780**	64,383
Finance costs	**(185,261)**	(134,416)
Finance costs, net	**(176,481)**	(70,033)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	(85,662)
Share of results of investments accounted for using the equity method	**(8,617)**	(8,901)
Loss before income tax	**(2,577,058)**	(181,180)
Income tax (expense)/credit	**(12,859)**	25,250
Loss for the year	**(2,589,917)**	(155,930)
Adjusted (loss)/profit for the year	**(642,906)**	110,799

REVENUE

In 2022, the Group disclosed two reportable segments that are game and information services and IP derivatives business. For further details of the segment information, please refer to Note 6 to the consolidated financial statements.

Revenue increased by 3.7% to approximately RMB2,734.1 million for the year ended December 31, 2022 on a year-on-year basis (2021: RMB2,637.6 million). Revenue from game and information services and IP derivatives business represented 94.9% and 5.1% of the Group's total revenue for the year ended December 31, 2022 (2021: 98.6% and 1.4%).

Revenue from game and information services

The following table sets forth our revenue from game and information services for the years ended December 31, 2022 and 2021:

	For the year ended December 31,			
	2022		2021	
	RMB'000	%	*RMB'000*	%
Game revenue	**2,531,285**	**97.6**	2,297,930	88.3
Information service revenue	**48,956**	**1.9**	290,426	11.2
Others	**14,287**	**0.5**	12,720	0.5
	2,594,528	**100**	2,601,076	100

— **Game revenue.** Game revenue, which accounts for the largest portion of revenue from game and information services, contributed 97.6% and 88.3% of the total revenue from game and information services for the years ended December 31, 2022 and 2021. Game revenue increased by 10.2% from RMB2,297.9 million for the year ended December 31, 2021 to RMB2,531.3 million for the year ended December 31, 2022. The increase in the amount was attributable to the steady performance of the Company's core games in operation: since the launch of the self-developed game, Glory All Star (榮耀全明星), all metrics have performed well, and the gross billing for the year has increased steadily; the 10-year-old Subway Surfers (地鐵跑酷) returned to its peak during the summer season, and the gross billing has far exceeded expectations. In addition, since signing of the distribution agreements for iOS versions of Gardenscapes (夢幻花園) and Homescapes (夢幻家園) at the end of March 2022, thanks to the effective operation of our operation team, gross billing increased strongly during the Reporting Period.

The following table sets forth our key operational metrics for the years indicated:

	For the year ended December 31,	
	2022	2021
Average MAU *(millions)*	**124.0**	128.0
Average MPU *(millions)*	**5.9**	5.5
ARPPU *(RMB)*	**36.4**	34.2

Our key operating metrics included data from all games published and operated by us. During the year ended December 31, 2022, the mobile version of Cross Gate (魔力寶貝) and FIFPro World Players' Union (全民冠軍足球) and Art of War III (全球行動) were the three games published or operated by Tencent, instead of us.

- **MAU**. Our average MAU decreased from 128.0 million in 2021 to 124.0 million in 2022, because the Group gradually terminated products that were no longer in line with the Group's game business strategy.

- **MPU**. Our average MPUs increased from 5.5 million in 2021 to 5.9 million in 2022, which was mainly due to Subway Surfers' (地鐵跑酷) excellent performance during the summer season, resulting in an increase in MPUs.

- **ARPPU**. Our ARPPU increased from RMB34.2 in 2021 to RMB36.4 in 2022, primarily due to an increase in the proportion of the Company's RPGs revenue for the year, which had a higher ARPPU.

— **Information service revenue.** Our information service revenue is primarily derived from our advertising services. Information service revenue decreased from RMB290.4 million for the year ended December 31, 2021 to RMB49.0 million for the year ended December 31, 2022. The decrease was mainly due to the Company's initiative to reduce and even close the opening and plug-in advertisements to further improve the in-game customer experience; at the same time, due to the impact of the COVID-19 pandemic, and the overall economic environment, the budget of advertisers dropped significantly.

Revenue from IP derivatives business

Revenue from the Group's IP derivatives business is mainly derived from game console experience and retail, sales of trendy products, etc. For the year ended December 31, 2022, the Group's revenue from IP derivatives business was RMB139.6 million (2021: RMB36.6 million), representing a year-on-year increase of 281.4%. This was mainly due to the increasing number of QQfamily stores and the continuous expansion of other sales channels.

COST OF REVENUE

For the year ended December 31, 2022, the total cost of revenue of the Group was RMB2,312.9 million, representing a year-on-year increase of 50.7% (2021: RMB1,534.3 million).

As a percentage of revenues, our cost of revenues increased from 58.2% for the year ended December 31, 2021 to 84.6% for the year ended December 31, 2022. On the one hand, due to the progress of game publication licensing, which has significantly affected the launch of the Company's reserve products, we have made impairment provisions for the book balance of some reserve games that missed the optimal launch opportunity. On the other hand, we adjusted and optimized our product layout in the future, focusing on the publication and self-development of exquisite games as our core strategic point, and gradually terminated products that were no longer in line with the Group's game business strategy. For the year ended December 31, 2022, the Company made an impairment of approximately RMB533.1 million for the prepaid royalties for such games. Excluding this effect, the gross profit margin of game and information service business for the year was approximately 36.0%.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses increased by 123.4% from RMB509.7 million for the year ended December 31, 2021 to RMB1,138.7 million for the year ended December 31, 2022. As a percentage of revenue, our selling and marketing expenses increased from 19.3% for the year ended December 31, 2021 to 41.6% for the year ended December 31, 2022. This was due to the promotion of various strategies for key products such as Glory All Star (榮耀全明星) and Subway Surfers (地鐵跑酷), especially the brand marketing by means of celebrity endorsement and IP linkage, as well as the performance-based marketing on major traffic platforms and other channels, which had a phased impact on the sales and marketing expense ratio during the Reporting Period.

GENERAL AND ADMINISTRATIVE EXPENSES

Our general and administrative expenses decreased by 51.0% to RMB122.5 million for the year ended December 31, 2022 (impairment of prepaid revenue sharing for the year included in cost of revenue) from RMB250.1 million for the year ended December 31, 2021 (including impairment of prepaid revenue sharing of approximately RMB51.9 million). As a percentage of revenue, our general and administrative expenses decreased from 9.5% for the year ended December 31, 2021 to 4.5% for the year ended December 31, 2022, as we continued to optimize the Group's internal operating structure and increased the focus on front-end business, and improve organizational management effect and profit to achieve scientific cost reduction and efficiency enhancement.

RESEARCH AND DEVELOPMENT EXPENSES

For the years ended December 31, 2022 and 2021, our research and development expenses were RMB322.6 million and RMB325.2 million, respectively, which was basically the same for both years. Research and development expenses mainly represent the Group's investment in the research and development of core self-developed games and digital tools.

IMPAIRMENT LOSSES ON INTANGIBLE ASSETS

Our impairment losses on intangible assets increased from RMB49.7 million for the year ended December 31, 2021 to RMB752.3 million for the year ended December 31, 2022. This was also due to the strategic focus of the Group's game business on the publishing and self-development of exquisite games, and the gradual termination of some products that were no longer in line with the strategic direction, and the provision for impairment of related game royalties.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Our net impairment losses on financial assets increased from RMB20.6 million for the year ended December 31, 2021 to RMB360.9 million for the year ended December 31, 2022. This was mainly due to the impact of the pandemic and the changes in the industry ecosystem, resulting in insufficient solvency of some partners. The Management considered that there was indication of impairment after comprehensive assessment, therefore, the impairment increased during the year.

OTHER LOSSES, NET

Our other losses, net increased from RMB14.4 million for the year ended December 31, 2021 to RMB67.4 million for the year ended December 31, 2022. This was mainly due to the provision for impairment of goodwill of RMB73.2 million arising from the acquisition of Tianjin Huohun during the year.

FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Our fair value loss on financial assets at fair value through profit or loss increased from RMB3.5 million for the year ended December 31, 2021 to RMB83.2 million for the year ended December 31, 2022. The main reasons are: 1) the overall under-performs of the industry and the operation metrics of some of our investee companies fell short of expectations, thus we have recognized losses from changes in fair value of relevant equity investments of RMB106.6 million; and 2) one of our investee companies was listed on the Beijing Stock Exchange in December 2022, and recognized gains from changes in fair value of RMB48.9 million.

FINANCE COSTS, NET

Our finance costs, net increased from RMB70.0 million for the year ended December 31, 2021 to RMB176.5 million for the year ended December 31, 2022. This was mainly because we incurred foreign exchange losses of RMB52.4 million in 2022, while we incurred foreign exchange gains of RMB59.1 million in 2021.

INCOME TAX EXPENSE/CREDIT

We recorded an income tax expense of RMB12.9 million for the year ended December 31, 2022, compared to an income tax credit of RMB25.3 million for the year ended December 31, 2021.

LOSS/PROFIT FOR THE YEAR

Our net loss for the year increased from RMB155.9 million for the year ended December 31, 2021 to RMB2,589.9 million for the year ended December 31, 2022. Our adjusted loss for the year (as defined below) was RMB642.9 million for the year ended December 31, 2022 and our adjusted profit for the year was RMB110.8 million for the year ended December 31, 2021.

OTHER FINANCIAL INFORMATION

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Adjusted (loss)/profit for the year[1]	**(642,906)**	110,799
EBITDA[2]	**(2,191,301)**	186,585
Adjusted EBITDA[3]	**(314,574)**	390,638

Notes:

(1) Adjusted loss for the year was derived from our loss for the year excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment provision of contract assets, impairment provision of investments in associates, fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss, interest expense on convertible bonds, impairment provision for goodwill resulting from a business combination, impairment loss of intangible assets, impairment of financial assets, impairment loss of prepayments and exchange losses/gains, net. The adjusted profit for the year of 2021 has been restated to be comparable to that disclosed in 2022.

(2) EBITDA is net income or loss before interest expenses, income tax expense/credit, depreciation and amortization.

(3) Adjusted EBITDA is calculated using adjusted profit for the year, adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets, income tax expense/credit and interest expenses.

Non-IFRS Financial Measure

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the years ended December 31, 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	For the year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Reconciliation of loss for the year to adjusted (loss)/profit for the year:		
Loss for the year	**(2,589,917)**	(155,930)
Add: Fair value losses on financial assets at fair value through profit or loss	**83,150**	3,511
Add: Share-based compensation expenses	**13,637**	24,894
Add: Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	85,662
Add: Impairment losses on contract assets	**—**	669
Add: Impairment provision of goodwill resulting from a business combination	**73,222**	—
Add: Impairment provision of investments in associates	**7,917**	20,719
Add: Interest expense on convertible bonds	**70,284**	62,676
Add: Impairment loss on intangible assets	**752,293**	49,673
Add: Impairment loss, net on financial assets	**360,928**	20,580
Add: Impairment loss on prepayments	**533,135**	57,492
Add: Exchange losses/(gains), net	**52,445**	(59,147)
Adjusted (loss)/profit for the year	**(642,906)**	110,799
Reconciliation of loss for the year to EBITDA and adjusted EBITDA:		
Loss for the year	**(2,589,917)**	(155,930)
Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets	**39,473**	26,102
Add: Amortization of intangible assets	**211,366**	207,247
Add: Income tax expense/(credit)	**12,859**	(25,250)
Add: Interest expense	**134,918**	134,416
EBITDA	**(2,191,301)**	186,585
Add: Fair value losses on financial assets at fair value through profit or loss	**83,150**	3,511
Add: Share-based compensation expenses	**13,637**	24,894
Add: Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	85,662
Add: Impairment losses on contract assets	**—**	669
Add: Impairment provision of goodwill resulting from a business combination	**73,222**	—
Add: Impairment provision of investments in associates	**7,917**	20,719
Add: Impairment loss on intangible assets	**752,293**	49,673
Add: Impairment loss, net on financial assets	**360,928**	20,580
Add: Impairment loss on prepayments	**533,135**	57,492
Add: Exchange losses/(gains), net	**52,445**	(59,147)
Adjusted EBITDA	**(314,574)**	390,638

LIQUIDITY AND FINANCIAL RESOURCES

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

As at December 31, 2022, the Group's total cash and cash equivalents decreased by 87.3% to approximately RMB90.5 million from approximately RMB714.8 million as at December 31, 2021. Our cash and cash equivalents were primarily denominated in RMB, HKD and USD.

As at December 31, 2022, the Group's total borrowings amounted to approximately RMB1,011.2 million (2021: approximately RMB1,350.4 million). The nature of the Group's borrowings is summarised as follows:

	As at December 31	
	2022	2021
	RMB'000	*RMB'000*
Secured bank borrowings	**991,241**	1,330,430
Secured other borrowings	**20,000**	—
Unsecured other borrowings	**—**	20,000
	1,011,241	1,350,430

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

	As at December 31	
	2022	2021
	RMB'000	*RMB'000*
RMB	**568,400**	791,500
EUR	**442,841**	558,930
	1,011,241	1,350,430

As at December 31, 2022, the current assets of the Group amounted to approximately RMB2,117.6 million, and the current liabilities of the Group amounted to approximately RMB2,447.1 million. As at December 31, 2022, the current ratio (being calculated as the current assets divided by current liabilities) of the Group was 0.87 as compared with 2.42 as at 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 at December 31, 2022, the debt ratio of the Group was 58.5% as compared with 36.3% as at December 31, 2021.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, interest payable, 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 December 31, 2022 and 2021, the gearing ratio of the Group is 80.5% and 26.3% respectively.

PLEDGE OF ASSETS

Among the total borrowings of the Group as at December 31, 2022, approximately RMB751.2 million (2021: approximately RMB835.9 million) were secured by certain trade receivables, certain game intellectual properties and deposits, which accounted for approximately 74.3% (2021: approximately 61.9%) of the Group's total borrowings.

CONTINGENT LIABILITIES

As at December 31, 2022, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (2021: Nil).

CAPITAL EXPENDITURE

For the year ended December 31, 2022, our total capital expenditure was approximately RMB221.9 million, compared to approximately RMB266.4 million for the year ended December 31, 2021. Our capital expenditure primarily included expenditures for purchase of property, plant and equipment (including decoration for the offline stores), and intangible assets. We plan to fund our capital expenditures through a combination of 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

The Group did not have any material acquisitions and disposals and significant investments during the year ended December 31, 2022.

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 exchange during the years ended December 31, 2022 and 2021.

USE OF PROCEEDS

Pursuant to the announcement of the Company dated November 28, 2021, in order to strengthen the financial position of the Group and to provide long-term funding for the Group's expansion and growth plans, the Company plans to allot and issue shares under general mandate (the "**Placing Shares**") and to allot and issue shares under specific mandate (the "**Subscription Shares**"). The intended use of proceeds from the Placing and Subscription is in line with the Group's strategic focus to enhance our game development capabilities, further enrich our game portfolio and increase our active user base, while accelerating the expansion of the Group's offline stores and further promoting the development of the designer business. In addition, the Directors consider that it is in the interests of the Company to broaden the shareholder base and capital base of the Company.

Proceeds from the Placing Shares and Use of Proceeds

On December 13, 2021, the Company completed the placing and issue of 72,280,000 ordinary shares under general mandate. For details, please refer to the announcement of the Company dated December 13, 2021. The actual net proceeds from the Placing Shares were approximately HK$427.0 million, equivalent to approximately RMB349.2 million based on the exchange rate of RMB0.8178 to HK$1.00.

During the year ended December 31, 2022, the proceeds from the Placing Shares were fully utilized in accordance with the intended use as set out in the relevant announcements. The table below sets out the details of the actual amount utilized (adjusted on a pro rata basis based on the actual net proceeds):

Purpose	Proceeds from Placing Shares *RMB million*	Unutilized amount as at January 1, 2022 *RMB million*	Actual utilized amount during the year ended December 31, 2022 *RMB million*	Actual utilized amount from completion of Placing Shares to December 31, 2022 *RMB million*
General working capital	32.00	15.14	15.14	32.00
R&D for further expansion of the Company's self-developed game portfolio(1)	210.00	184.50	184.50	210.00
Expansion of the offline stores of the Group(2)	70.00	70.00	70.00	70.00
Other possible investments in the future(3)	37.23	37.23	37.23	37.23
Total	349.23	306.87	306.87	349.23

Notes:

(1) The Company's self-developed games under development include match-three puzzle games, competitive shooting games and Role-Playing Games.

(2) The Company applied the amount to set up and launch QQfamily offline stores in popular commercial districts in first-and second-tier cities in Mainland China.

(3) The Company intended to pursue other possible investment opportunities, including but not limited to, establishing strategic partnerships and partnerships, and seeking to invest in and acquire businesses that are synergistic and complementary to the Group's ecosystem, including businesses or assets that can enhance the Company's game development capabilities and offline entertainment business.

(4) Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

Proceeds from the Subscription Shares and Use of Proceeds

On November 28, 2021, the Company entered into the Subscription Agreements with each of Brilliant Seed, Tencent Mobility and Instant Sparkle. The Subscription was approved by the independent Shareholders at the extraordinary general meeting convened on February 16, 2022 and the allotment and issue of an aggregate of 32,854,730 Shares was completed on February 28, 2022. The subscription price was HK$5.92 per Share and the market price of the Shares as quoted on the HKEX on the date of the Subscription Agreement was HK$6.53 per Share. For details, please refer to the announcements of the Company dated November 28, 2021 and February 28, 2022, the circular dated January 20, 2022 and the poll results announcement of the extraordinary general meeting dated February 16, 2022.

The actual net proceeds from the Subscription Shares were approximately HK$194.5 million, equivalent to approximately RMB159.1 million at the exchange rate of RMB0.8178 to HK$1.00.

During the year ended December 31, 2022, the proceeds from the Subscription Shares were fully utilized in accordance with the intended use as set out in the relevant announcements. The table below sets out the details of the actual amount utilized (adjusted on a pro-rata basis based on the actual net proceeds):

Purpose[1]	**Proceeds from Subscription Shares** *RMB million*	**Actual utilized amount during the year ended December 31, 2022** *RMB million*	**Actual utilized amount from the completion of the Subscription Shares to December 31, 2022** *RMB million*
General working capital	18.00	18.00	18.00
R&D for further expansion of the Company's self-developed game portfolio	93.00	93.00	93.00
Expansion of the offline stores of the Group	36.20	36.20	36.20
Other possible investments in the future	11.86	11.86	11.86
Total	159.06	159.06	159.06

Notes:

(1) The use of proceeds from the subscription of shares is consistent with the use of proceeds from the placing of shares. For details, please refer to the notes on the previous page for the proceeds from the placing of shares and the use.

(2) Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

UPDATES ON ACQUISITION OF TIANJIN HUOHUN

On August 7, 2018, the Company acquired 70% of the issued share capital of Shanghai Huohun Internet Technology Co., Ltd. (renamed Tianjin Huohun Internet Technology Co., Ltd. ("**Tianjin Huohun**") in January 2021) at a total consideration (the "**Consideration**") of RMB1.05 billion (the "**Acquisition**"), the goodwill of RMB989.23 million recognised upon completion of the Acquisition. The Consideration was determined after arm's length negotiations between the Company and the then shareholders of Tianjin Huohun (the "**Vendors**") by reference to (1) the profit guarantee given by the Vendors; (2) the price-to-earnings ratio of approximately five times; and (3) the benefits and merits from the Acquisition including acquisition of R&D talents and potential synergies with the Company's principal business.

According to the Agreement on Acquisition of Tianjin Huohun (the "**Tianjin Huohun SPA**"), the Vendors shall compensate the Company according to the predetermined mechanism/formula if Tianjin Huohun fails to achieve the predetermined profit target of RMB300.00 million in the period commencing from June 1, 2018 and ending on May 31, 2019 (the "**Performance Appraisal Period**"). Tianjin Huohun recorded a net profit of RMB210.00 million during the Performance Appraisal Period. According to the compensation mechanism under the Tianjin Huohun SPA, the Group is entitled to acquire the remaining 30% equity of Tianjin Huohun at the consideration of RMB1.00.

On May 3, 2019, the Group signed a supplementary agreement with the Vendors to collect cash compensation from the Vendors, which can be offset with the consideration that has not been paid to Vendors, rather than acquiring the remaining 30% equity. According to the supplementary agreement, the compensation amount was RMB315.00 million. The difference of RMB294.91 million between the RMB315.00 million and the asset value of RMB20.09 million of the contingent consideration recognized on the acquisition date and December 31, 2018 was recognized as other income for the year ended December 31, 2019.

The management believed that Tianjin Huohun was an independent cash generating unit (the "**Tianjin Huohun CGU**") and allocated goodwill to Tianjin Huohun CGU. The recoverable amount of Tianjin Huohun CGU was calculated based on the use value as at December 31, 2021 and December 31, 2022.

Pursuant to paragraph 10 of IAS 36, "goodwill acquired in a business combination to be tested for impairment annually", the management engaged an independent valuer, AVISTA to carry out impairment assessment on the goodwill. Based on the assessment on the recoverable amount of the Tianjin Huohun CGU as at December 31, 2019, 2020 and 2021, the Group recorded an impairment loss of goodwill of Tianjin Huohun of RMB422.33 million, RMB493.68 million and nil for the years ended December 31, 2019, 2020 and 2021 respectively. For further details, please refer to the annual reports of the Company for 2019, 2020 and 2021.

Based on the management's estimation of the recoverable amount of the Tianjin Huohun CGU during the period, and due to the fact that Tianjin Huohun has decided not to develop new games and its existing game is underperformed, the Group made a further impairment loss provision of RMB73.22 million to the goodwill for the year ended December 31, 2022.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Analysis of the principal activities of the Group is set out in Note 5 to the audited consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

A review of our business, a discussion and analysis of our performance during the year, the material factors underlying our results and financial position, certain material events occurred during the year, and the future development of our business have been set out in the section headed "Management Discussion and Analysis" on pages 10 to 21 of this annual report.

SIGNIFICANT POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in Note 40 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is subject to various PRC laws and regulations in relation to its game publishing operations in the PRC, including, without limitation, in the aspects of value-added telecommunication services, game examination, publishing and operation, virtual currency, real-name registration, anti-addiction system, information security and censorship, and privacy protection.

As far as the Board is aware, during the Reporting Period, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

PRINCIPAL RISKS AND UNCERTAINTIES

We face various risks involved in our daily business operations, including risks that are specific to our game publishing business as well as the industry and regulatory landscape in the PRC. In particular, the commercial launch of our mobile games is subject to specific pre-approval and post-filing requirements as required by the relevant competent regulatory authorities in China, which may change from time to time. For details, please refer to the section headed "Corporate Governance Report — Risk Management and Internal Control" on pages 72 to 76 in this annual report.

Due to the legal restrictions imposed by China on foreign investors to engage in value-added telecommunications services in China, the Group's member companies operate business according to Contractual Arrangements, and therefore the Group is also subject to the risks relating to the Contractual Arrangements. For details, please refer to the "Contractual Arrangements — Risks relating to the Contractual Arrangements" on page 43 to 48 of this section.

ENVIRONMENTAL PERFORMANCE AND POLICIES

The Group is a digital entertainment platform that publishes games through mobile apps and websites. Its business operation involves minimum direct discharge of pollutants or hazardous waste to the environment. However, the Group is committed to minimizing the impact on the environment from our business activities. In particular, the Group adheres to green, low-carbon office concept and encourages its employees to participate in resource conservation during their daily work at the office. Further details are set out in the 2022 Environmental, Social and Governance Report of the Company.

RELATIONSHIP WITH STAKEHOLDERS

We value stakeholders' concerns and opinions on our business performance and progress, and strive to maintain effective communication with our stakeholders, including our Shareholders, employees, customers, suppliers, business partners, users, media and the public through a range of communication channels, such as our WeChat official account, official website, results presentation and emails to maintain a close and harmonious relationship with them. The details are set out in the 2022 Environmental, Social and Governance Report of the Company.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of comprehensive income on pages 88 to 89 of this annual report.

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil).

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, revenue generated from the Group's five largest customers accounted for 8.7% (2021: 7.9%) of the Group's total revenue and our single largest customer accounted for 3.5% (2021: 3.8%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2022, the Group's five largest suppliers accounted for 28.8% (2021: 16.9%) of the Group's total purchases and our single largest supplier accounted for 9.4% (2021: 6.7%) of the Group's total purchases.

During the year ended December 31, 2022, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Company's five largest customers and suppliers.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company as at December 31, 2022 are set out in Note 29 to the consolidated financial statements.

HUMAN RESOURCES

As at December 31, 2022, the Group had 1,048 employees (2021: 1,113). The total remuneration expenses, excluding share-based compensation expense, for the year ended December 31, 2022 were RMB399.3 million, representing an increase of 32.3% as compared to the year ended December 31, 2021. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2022 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2022 are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2022 are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Group did not have any distributable reserves (2021: nil).

TAXATION

Tax position of the Group for the year ended December 31, 2022 is set out in Note 12 to the consolidated financial statements.

DIRECTORS

The Directors as at December 31, 2022 and up to the date of this annual report are:

Executive Directors

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

Non-executive Directors

Mr. Ma Xiaoyi
Mr. Zhang Han
Mr. Yao Xiaoguang
Mr. Chen Yu

Independent non-executive Directors

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

In accordance with article 16.19 of the Articles of Association, Mr. Chen Xiangyu, Mr. Zhang Han, Mr. Li Xintian and Mr. Mao Rui shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 52 to 57 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors continue to be independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company. Pursuant to the contract, they agreed to act as executive Directors for a term of three years with effect from the date of their appointments or renewal of the service contract subject always to re-election as and when required under the Articles of Association. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the non-executive Directors has entered into a service contract with the Company. Their term of office shall commence from the date of their appointments or renewal of the service contract and shall continue for three years subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's written notice.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Their term of office shall be three years from the date of their appointments or the renewal of the letter of appointment (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than three months' written notice.

None of the Directors has a service contract or a letter of appointment which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The remuneration and appraisal committee of the Company (the "**Remuneration and Appraisal Committee**") is responsible for reviewing the remuneration policy and structure of the Directors regarding to the Company's operating results, Directors' individual performance and comparable market practices. Independent non-executive Directors are not entitled to any equity-linked compensation with performance-related elements and are not permitted to participate in the share award scheme. None of the Directors should be involved in deciding his/her own remuneration.

Details of the Directors' and CEO's remuneration for the year ended December 31, 2022 are set out in Note 10 to the consolidated financial statements.

Remuneration for Senior Management falls within the following range:

	Number	
	As at December 31, 2022	**As at December 31, 2021**
HK$0 to HK$10,000,000	**5**	5
Over HK$10,000,00	**—**	—
	5	5

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

Our executive Director, Mr. Chen Xiangyu, is the founder and the largest Shareholder of our Company holding approximately 18.39% interest in the total issued Share capital of our Company as at the date of this annual report. Mr. Chen has held interests as a limited partner in certain venture capital funds and/or angel investment funds which may from time to time invest in technology companies, and his economic interest in such funds was insignificant.

Our non-executive Director, Mr. Ma Xiaoyi, held directorship in certain companies principally or partially engaged in development and/or distribution of online and/or mobile games. On the basis that Mr. Ma is not involved in the daily management and operation of our Company and relevant companies, the directorship held by Mr. Ma would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, for the year ended December 31, 2022, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete, directly or indirectly, with our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2022.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the Reporting Period.

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

As at December 31, 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the HKEX pursuant to the Model Code were as follows:

Interest in Shares and underlying Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares held[6]	Approximate percentage of interest in the Company[1] [5]
Mr. Chen Xiangyu ("**Mr. Chen**")[2]	Beneficial owner	26,720,800 (L)	1.89%
	Interest of controlled corporation	232,643,922 (L)	16.48%
Mr. Guan Song ("**Mr. Guan**")[3]	Beneficial owner	14,876,000 (L)	1.05%
	Interest of controlled corporation	18,361,220 (L)	1.30%
Mr. Jeffrey Lyndon Ko ("**Mr. Ko**")[4]	Interest of controlled corporation	13,965,000 (L)	0.99%

Notes:

(1) The percentages are calculated on the basis of 1,411,335,945 Shares in issue as at December 31, 2022.

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

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

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

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

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

Interest in associated corporations

Name of Directors	Associated corporation	Capacity/Nature of Interest	Number of Shares held	Approximate percentage of interest in the associated corporation
Mr. Chen	Shenzhen Mengyu Technology Co., Ltd.	Beneficial owner	500,000 (L)	5.00%

Save as disclosed above, as at December 31, 2022, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKEX pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held(7)(8)	Approximate percentage of interest in the Company(1)(6)
Brilliant Seed(2)	Beneficial owner	232,643,922 (L)	16.48%
Mr. Chen(2)	Beneficial owner	26,720,800 (L)	1.89%
	Interest of controlled corporation	232,643,922 (L)	16.48%
Tencent Mobility(3)	Beneficial owner	249,141,192 (L)	17.65%
Tencent Holdings Limited(3)	Interest of controlled corporation	249,141,192 (L)	17.65%
Bank of America Corporation	Interest of controlled corporation	196,960,947 (L)	13.96%
	Interest of controlled corporation	196,957,861 (S)	13.96%
iDreamSky Technology Limited(4)	Beneficial owner	127,839,505 (L)	9.06%
Dream Investment Holdings Limited(4)	Interest of controlled corporation	127,839,505 (L)	9.06%
Dream Technology Holdings Limited(4)	Interest of controlled corporation	127,839,505 (L)	9.06%
Yong Rong (HK) Asset Management Limited(5)	Investment manager	105,564,400 (L)	7.48%

Notes:

(1) The percentages are calculated on the basis of 1,411,335,945 Shares in issue as at December 31, 2022.

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

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

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

(5) Yong Rong (HK) Asset Management Limited is the investment management company of Yong Rong Global Excellence Fund and EverFund. As at December 31, 2022, Yong Rong Global Excellence Fund and EverFund, through Yong Rong (HK) Asset Management Limited, held 86,141,600 shares and 19,422,800 shares, representing approximately 6.10% and 1.38% of the Company's interest, respectively.

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

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

(8) The letter "S" denotes the person's short position in such Shares.

Save as disclosed above, as at December 31, 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

From the Listing Date to December 31, 2022, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding share option scheme.

Pre-IPO RSU Scheme

As approved by the Board, the Company adopted a restricted share unit (the "**RSU**") scheme (the "**Pre-IPO RSU Scheme**" or the "**Scheme**") on May 10, 2018 (the "**Adoption Date**", before the initial public offering), and the Board may, at its discretion, grant restricted share units to any participants subject to the provisions and conditions of the Scheme.

Summary of the Scheme

Purpose

The purpose of the Scheme is to reward the Group's employees for their contribution to the Group and to provide incentives to attract the best available personnel to maintain and further promote the success of the Group's business.

Eligible Participants

Persons eligible to participate in the Pre-IPO RSU Scheme include but are not limited to full-time employees (including directors) of the Group.

Scheme period

The Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date, after which no further awards will be granted but the awards granted during the Scheme shall continue to be valid and exercisable in accordance with the terms of the grant. As at the date of this annual report, the remaining term of the Scheme is more than five years, and the Board has the right to terminate the Scheme before the expiration of the term.

Maximum number of shares

As at the effective date of the Scheme, the total number of RSUs available for issue under the Scheme shall not exceed 8,627,045 (the "**RSU Limit**"), representing 8,627,045 ordinary shares of the Company. On the Listing Date, the total share capital of the Company was increased from 500,000,000 shares to 5,000,000,000 shares and the authorized share capital was increased by ten times (for details, please refer to the Prospectus and announcement of the Company dated October 16, 2020). As a result, the number of RSU Limit shall be changed to 86,270,450 shares accordingly, representing 86,270,450 ordinary shares of the Company (representing 6.12% of the issued shares of the Company as at the date of this annual report).

Vesting period and exercise period

The Scheme does not define a vesting period and there is no minimum holding period limit. The actual vesting period is based on the terms and conditions agreed with each grantee, normally ranging from 12 months to 48 months from the date of grant.

Consideration upon acceptance

Consideration payable by a Participant upon acceptance of an award granted under the Scheme shall be determined at the absolute discretion of the administrator of the Scheme.

Details of the RSUs granted under the Scheme

Details of the RSUs granted by the Group during the year ended December 31, 2022 are as follows:

Date of grant	Number of grants	Vesting period[1]	Performance targets *Yes/No*	Closing price immediately before the date of grant *HK$*	Fair value as at the date of grant *HK$*
April 1, 2022	1,300,000	0 to 1 years	No	4.49	4.48
August 1, 2022	170,180	0 to 3 years	Yes[2]	4.77	4.58
December 31, 2022	14,813,621	1 to 3 years	Yes[3]	3.87	3.87

Notes:

1. The vesting period is calculated from the date of grant.

2. Among which, except for the 90,180 units without any vesting conditions, the remaining 80,000 units will be determined at the sole discretion of the administrator based on the corresponding vesting portion (100%, 50% or nil in three equal grades) based on the assessment results of individual performance during the assessment period.

3. Based on the results of the assessment based on the consolidated performance of the individual during the assessment period, the vesting portion (being 100%, 50% or nil in three grades) shall be determined at the sole discretion of the administrator.

During the year ended December 31, 2022, no RSUs were granted or vested to any Director under the Scheme.

Details of the RSUs granted, vested and forfeited by the Group to the employee participants pursuant to the Scheme during the year ended December 31, 2022 are as follows:

	RSUs					
	As at January 1, 2022	Granted during the year	Vested during the year(2)	Forfeited during the year	As at December 31, 2022	Vesting period(3)
Five highest paid individuals(1)	1,071,850	—	550,554	—	521,296	0 to 4 years
Other employees	9,759,893	16,283,801	7,048,407	1,582,769	17,412,518	0 to 4 years
Total	10,831,743	16,283,801	7,598,961	1,582,769	17,933,814	0 to 4 years

Notes:

1. During the year ended December 31, 2022, the five highest paid individuals included one Director who was not granted any award during the year and no award was vested during the year.

2. The average closing price of the Shares immediately before the dates on which the RSUs were vested was HK$4.62 per Share.

3. The vesting period is calculated from the date of grant.

4. During the year ended December 31, 2022, no employees were granted awards in excess of the individual limit of 1% under the Scheme.

The accounting standard and policy adopted by the Scheme is set out in Note 2.16 to the audited consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as the Pre-IPO RSU Scheme, during the Reporting Period, the Company did not enter into or have any equity-linked agreements, and there were no provisions that would or might result in the issue of shares by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Board considered that the dealing prices of the Company's shares at the time did not reflect their intrinsic value, and the share repurchase program could reflect the Board's confidence in the Company's long-term development prospects and growth potential as well. During the Reporting Period, the total number of shares repurchased by the Company on the HKEX were 9,932,000, at a total consideration (before deduction of expenses) of HK$38,895,987.51. Of these, 8,994,400 shares repurchased from April to July 2022 and 937,600 shares repurchased from September to October 2022 have been canceled on September 1, 2022 and January 13, 2023, respectively.

During the Reporting Period, the Company's monthly report on share repurchase is set out as below:

Month	**Number of Shares repurchased**	**Highest purchase price per Share**	**Lowest purchase price per Share**	**Total consideration (before deduction of expenses)**
		HK$	*HK$*	*HK$*
April 2022	3,444,000	3.68	2.71	10,518,102.00
May 2022	4,824,800	4.82	3.80	20,839,125.52
June 2022	526,400	5.01	4.92	2,626,128.00
July 2022	199,200	4.88	4.57	923,735.99
September 2022	933,600	4.82	3.89	3,975,176.00
October 2022	4,000	3.43	3.43	13,720.00
	9,932,000			38,895,987.51

Save as disclosed above, the Group had not purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Mr. Chen Xiangyu has executed a power of attorney (the "**Power of Attorney**") on May 10, 2018, under which Mr. Chen has undertaken that, without the prior written consent of the WFOE, he will not use any information obtained from Shenzhen iDreamSky to engage in any business which competes or potentially competes with Shenzhen iDreamSky or its affiliates. The Company has received an annual confirmation from Mr. Chen Xiangyu that he has complied with the non-competition undertaking from the date of the Power of Attorney to December 31, 2022 for disclosure in this annual report. For details on non-competition undertaking, please refer to the section headed "Relationship with our Single Largest Shareholder" in the Prospectus.

The independent non-executive Directors have reviewed the performance of the non-competition undertaking from the date of the Power of Attorney to December 31, 2022 based on the information provided and/or confirmed by Mr. Chen, and are satisfied that Mr. Chen has complied with the non-competition undertaking.

CONNECTED TRANSACTIONS

Subscription for shares under specific mandate

On November 28, 2021, the Company entered into a subscription agreement with Brilliant Seed, Tencent Mobility and Instant Sparkle, respectively, in relation to the subscription of 13,141,892, 13,141,892 and 6,570,946 new shares of the Company by Brilliant Seed, Tencent Mobility and Instant Sparkle at the subscription price of HKD5.92 per share.

Given that (i) Brilliant Seed is wholly-owned by Mr. Chen Xiangyu, concurrently the executive Director, the Chairman of the Board and the Chief Executive Officer of the Company, and as at the signing date of the Brilliant Seed Subscription Agreement, Mr. Chen Xiangyu as the beneficial owner and through Brilliant Seed held 3,682,400 shares and 243,560,830 shares, respectively, representing 0.28% and 18.52% of the issued share capital of the Company, respectively; (ii) as at the signing date of the Tencent Subscription Agreement, Tencent Mobility held 235,999,300 shares of the Company, representing approximately 17.94% of the issued share capital of the Company; and (iii) Instant Sparkle is wholly-owned by Mr. Lei Junwen, who is the Director of Horgos iDreamSky (not an insignificant subsidiary of the Company as at the signing date of the Instant Sparkle Subscription Agreement); therefore, each of Mr. Chen Xiangyu, Brilliant Seed, Tencent Mobility, Instant Sparkle and Mr. Lei Junwen is the connected person of the Company, and the Subscription constitutes the connected transaction of the Company and is subject to announcement, reporting and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Subscription was approved by the independent Shareholders at the extraordinary general meeting of the Company on February 16, 2022, and the allotment and issuance of a total of 32,854,730 ordinary shares was completed on February 28, 2022. Details of the proceeds from the subscription of shares and the use of proceeds are set out in the section of "Management Discussion and Analysis — Use of Proceeds" on pages 10 to 21 of this annual report.

Save as disclosed in this annual report, during the Reporting Period, the Company had no other connected transactions which are not exempt under Rule 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Tencent is one of the substantial shareholders of the Company and holds shares in the Company through its wholly-owned subsidiary. Tencent Computer and Tencent Technology are subsidiaries of Tencent. The Group has entered into a number of continuing connected transaction agreements with Tencent Group in respect business.

Summary of the Continuing Connected Transaction Agreement

As at the date of this report, the following transactions of our Group constitute the continuing connected transactions of the Company for the year ended December 31, 2022.

Advertising Cooperation Framework Agreement

On December 29, 2020, Shenzhen iDreamSky entered into an advertising cooperation framework agreement with Tencent Computer for a term of three years commencing from January 1, 2021 (the "**2021 Advertising Cooperation Framework Agreement**"), pursuant to which the parties agreed to conduct cooperation in respect of, inter alia, the following: (i) Shenzhen iDreamSky to provide advertising of products or services to Tencent Computer and/or its associates through the platform operated or participated by Shenzhen iDreamSky in exchange for the service fees payable by Tencent Computer to the Group; and (ii) acting as an intermediary to link the user traffic of third parties with the advertising services provided by Tencent Group. Our Group will conduct collective negotiations with Tencent Group in respect of the advertising services offered by Tencent Group in exchange for the service fees payable by relevant third parties to the Group.

The 2021 Advertising Cooperation Framework Agreement also provided for the proposed annual caps for the advertising service fees payable by Tencent Group to the Group for the three years ending December 31, 2023. For the proposed annual caps and the actual transaction amounts as at December 31, 2022, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 41 of this section.

(a) *Reasons for the Transactions*

The Directors believe that enhancing the cooperation with Tencent Group will enable both parties to leverage on each other's competitive advantages and further increase the Group's advertising service business.

(b) *Listing Rules Implications*

Tencent Computer is a subsidiary of Tencent Group, a substantial shareholder of the Company, and thus a connected person of the Company. As the highest applicable percentage ratio for each of the proposed annual caps for the three years ending December 31, 2023 is expected to exceed 0.1% but below 5% on an annual basis, the transactions under the 2021 Advertising Cooperation Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For details, please refer to the Company's announcement on December 29, 2020.

Payment Service Framework Agreement

On December 29, 2020, Shenzhen iDreamSky entered into a payment service framework agreement with Tencent Computer for a term of three years commencing from January 1, 2021 (the "**2021 Payment Service Framework Agreement**"), pursuant to which Tencent Computer agreed to provide payment services to the Group through the payment channels of Tencent Group for the purpose of enabling the Group's users to conduct online transactions. In exchange for the payment services provided, the Group shall pay a payment service fee to Tencent Group.

The 2021 Payment Service Framework Agreement also provided for the proposed annual caps for the payment service fee payable by the Group to Tencent Group for the three years ending December 31, 2023. For the proposed annual caps and the actual transaction amounts as at December 31, 2022, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 41 of this section.

(a) *Reasons for the Transactions*

Our Directors consider that, taking into account the limited choices of online payment channels in the PRC, the leading position of the Tencent Group in the PRC online payment service industry and our users' profile where many of our users are existing users of the Tencent Group's online payment services, the 2021 Payment Service Framework Agreement would enable the Group to provide our users access to payment channels of Tencent Group and thus enhance our users' satisfactions with the Group's services.

(b) *Listing Rules Implications*

As the highest applicable percentage ratio for each of the three years ending December 31, 2023 in relation to the 2021 Payment Service Framework Agreement, in aggregate, is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the 2021 Payment Service Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For details, please refer to the Company's announcement on December 29, 2020.

Products and Services Purchasing Framework Agreement

On December 29, 2020, Shenzhen iDreamSky entered into a products and services purchasing framework agreement with Tencent Computer for a term of three years commencing from January 1, 2021 (the "**2021 Products and Services Purchasing Framework Agreement**"), pursuant to which Tencent Computer (or through its designated company) agreed to provide comprehensive services and products to our Group, including but not limited to the following technical products and services: (i) cloud services, cloud storage, cloud service related technical support; and (ii) SMS channel service, CDN network acceleration service, domain name resolution acceleration service. In exchange for the comprehensive services and products provided, our Group shall pay procurement fees in return for the products and services provided by the Tencent Group.

The 2021 Products and Services Purchasing Framework Agreement also provided for the proposed annual caps for the products and procurement fees payable by the Group to Tencent Group for the three years ending December 31, 2023. For the proposed annual caps and the actual transaction amounts as at December 31, 2022, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 41 of this section.

(a) *Reasons for the Transactions*

Tencent is a leading provider of Internet value added service in the PRC, and offers a wide range of high-quality products and services. We have migrated the majority of our servers and computing infrastructure to Tencent Cloud and we became one of the few game publishers in China fully integrating cloud technology into game infrastructure. The Directors believe that the procurement of high-quality services and products from Tencent, especially technological products and services, will provide us with the necessary technologies to further develop our business, and we can leverage on the wide spectrum of products and services offered by Tencent to reduce unnecessary costs in reconciling and integrating the differences between different systems.

In addition, we also purchase virtual products and peripheral gaming products from the Tencent Group as part of our digital entertainment offering for our users in our marketing events, taking into account the popularity of those virtual and physical gaming products among our users.

(b) *Listing Rules Implications*

As the highest applicable percentage ratio for each of the three years ending December 31, 2023 in relation to the 2021 Products and Services Purchasing Framework Agreement, in aggregate, is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the 2021 Products and Services Purchasing Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For further details, please refer to the announcement of the Company dated December 29, 2020.

IP Cooperation Framework Agreement

On December 29, 2020, Shenzhen iDreamSky entered into an IP cooperation framework agreement with Tencent Computer for a term of one year commencing from January 1, 2021 (the "**2021 IP Cooperation Framework Agreement**"), pursuant to which the cooperation shall be in the form of (i) resources investment for the development or adaption of comics work ("**Originated Work**"), including but not limited to advertising resources and currencies; and (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales. The parties may further agree on the investment in the operation of the Originated Work separately.

In view of the enhanced cooperation between the parties in respect of intellectual property rights, Shenzhen iDreamSky and Tencent Computer amended the 2021 IP Cooperation Framework Agreement (the "**Amended 2021 IP Cooperation Framework Agreement**") on September 20, 2021, pursuant to which the cooperation shall be in the form of (i) resources investment for the development or adaption of the Originated Work, including but not limited to advertising resources and currencies; (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales; and (iii) operation of Tencent's own and/or co-brand, IP and other products and/or services, including development, creation, production, online and offline advertising and sales, and operation in combination with the Company's own or right to use goods and/or services. The parties may further agree on the cooperation details separately.

In addition, the Amended 2021 IP Cooperation Framework Agreement adjusted the proposed annual caps for the relevant fees payable by the Group to Tencent Group for the years ended December 31, 2021, and supplemented the proposed annual caps for 2022 and 2023, respectively. For the proposed annual caps and the actual transaction amounts as at December 31, 2022, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 41 of this section.

(a) Reasons for the Transactions

The Directors believe that the cooperation between the Company and Tencent Group in respect of intellectual property will become increasingly close, which will be conducive to both parties to fully utilize each other's competitive advantages and further enhance the Group's intellectual property-related product development and operation capabilities, enrich the Group's sales channels and increase the market awareness and share of the business.

(b) Listing Rules Implications

As the highest applicable percentage ratio for the proposed annual cap for each of the three years ending December 31, 2023 in relation to the Amended 2021 IP Cooperation Framework Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the Amended 2021 IP Cooperation Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For further details, please refer to the Company's announcements on December 29, 2020 and on September 20, 2021.

Game Cooperation Framework Agreement

On December 29, 2020, Shenzhen iDreamSky entered into a game cooperation framework agreement with Tencent Computer for a term of three years commencing from January 1, 2021 (the "**2021 Game Cooperation Framework Agreement**"), pursuant to which our Group and the Tencent Computer agreed to (i) license (a) games of our Group and/or (b) games licensed to our Group by third parties, and engage the Tencent Group for distribution or publishing for such games; (ii) license the games of the Tencent Group for the distribution and operations on our platforms; and (iii) cooperate on other gaming-related matters, including but not limited to (a) the Tencent Group engaging us to develop customized games, (b) the Tencent Group licensing its IPs to us for development of games, and (c) joint development of games by our Group and the Tencent Group. The Tencent Group and our Group shall pay distribution and/or licensing fees to each other (as the case may be). The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

The 2021 Game Cooperation Framework Agreement also provided for the proposed annual caps for the distribution fee and/or revenue share payable by the Group to Tencent Group and the distribution fee and/or revenue share payable by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ending December 31, 2023. In view of (i) the anticipated demand from Tencent Group for the Group's customized development services, and (ii) the strengthening of cooperation with Tencent Group, Shenzhen iDreamSky and Tencent Computer amended the 2021 Game Cooperation Framework Agreement on August 12, 2021 (the "**Amended 2021 Game Cooperation Framework Agreement**"), pursuant to which, except for the amendment of the annual caps, the terms of the 2021 Game Cooperation Framework Agreement remain unchanged. For the proposed annual caps and the actual transaction amounts as at December 31, 2022, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 41 of this section.

(a) Reasons for the Transactions

The Tencent Group owns a large amount of top-rated game products and game platforms, and our Group has been dedicated to the production and operation of popular games. It is expected that the Tencent Group and our Group could leverage on each other's competitive advantages in products and platforms to improve the popularity of games owned by each other and increase the number of platform users and leverage on each other's game development capabilities. In addition, as a one-stop game publishing solution to game developers, we are able to leverage on the Amended 2021 Game Cooperation Framework Agreement and distribute the games licensed to us from global game developers through our cooperation with Tencent.

(b) Listing Rules Implications

As the highest applicable percentage ratio for each of the three years ending December 31, 2023 in relation to the Amended 2021 Game Cooperation Framework Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the Amended 2021 Game Cooperation Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For further details, please refer to the Company's announcements on December 29, 2020 and on August 12, 2021.

QQfamily Cooperation Agreement

On March 11, 2021, Shenzhen iDreamSky Entertainment entered into the QQfamily cooperation agreement (the "**QQfamily Cooperation Agreement**") with Tencent Technology. Pursuant to which, Tencent Technology agreed to grant a non-exclusive and non-transferable license of the QQfamily IP to Shenzhen iDreamSky Entertainment for the Group's plan to open QQfamily themed offline stores in the PRC. Furthermore, Tencent Technology agreed that it will not operate QQfamily themed offline stores for game console experience, game retail, and audio-visual experience or video game themed parties on its own or authorize other parties to do so. In addition, during the construction, design, decoration and operation of the QQfamily themed offline stores, Shenzhen iDreamSky Entertainment shall have the right to use the QQfamily IP for the visual identity design and store decoration, design of staff uniforms, and the design and production of marketing materials for QQfamily themed offline stores in accordance with the terms set forth in the QQfamily Cooperation Agreement. Shenzhen iDreamSky Entertainment shall submit the design plan and schedule to Tencent Technology for review and approval in writing before implementing the relevant plan. Pursuant to the QQfamily Cooperation Agreement, within the first three years of the term of the QQfamily Cooperation Agreement, Shenzhen iDreamSky Entertainment may open a total of 150 QQfamily themed offline stores (i.e. 7 flagship stores with a floor area of at least 300 square meters and the remaining standard stores with a floor area of 50 to 300 square meters) directly operated by the Group in popular commercial areas in first and second tier cities in the PRC. The contracting parties will further evaluate the cooperation and may reach separate agreement on the details of opening stores for the last two years of the term in due course.

In exchange for the non-exclusive and non-transferable QQfamily IP license granted by Tencent Technology to Shenzhen iDreamSky Entertainment, Shenzhen iDreamSky Entertainment shall pay a total of RMB10.0 million to Tencent Technology within the first three years of the term of the QQfamily Cooperation Agreement, and an agreement shall be reached through negotiation on the profit distribution arrangement for the last two years. In addition, Shenzhen iDreamSky Entertainment shall also pay a deposit of RMB0.3 million to Tencent Technology within 15 working days after the date of the QQfamily Cooperation Agreement to ensure that it achieves certain business or sales targets under the QQfamily Cooperation Agreement.

The term of the QQfamily Cooperation Agreement commenced on March 1, 2021 and will expire on February 28, 2026. The QQfamily Cooperation Agreement also provided for the proposed annual caps for the licensing fees payable by the Group to Tencent Technology during the contract period. For the proposed annual caps and the actual transaction amounts as at December 31, 2022, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 41 of this section.

(a) Reasons for the Transactions

The Directors consider that Tencent is a leading value-added internet service provider in the PRC and the QQfamily IP is well known and has a large potential fan base in the PRC. The Company expects that its business portfolio will be further enhanced and diversified through the Company's plan to open QQfamily themed offline stores with the Tencent Group under the QQfamily Cooperation Agreement.

(b) Listing Rules Implications

As at the signing date of the QQfamily Cooperation Agreement, Tencent is a substantial shareholder of the Company, holding approximately 18.59% of the total issued shares of the Company through its wholly-owned subsidiaries, and Tencent Technology is a subsidiary of Tencent. Therefore, under Chapter 14A of the Listing Rules, Tencent Technology is the connected person of the Company, and the QQfamily Cooperation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As the highest applicable percentage ratio for each of the five years ending December 31, 2026 in relation to the QQfamily Cooperation Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the QQfamily Cooperation Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules. Pursuant to Rule 14A.52 of the Listing Rules, as the term of the QQfamily Cooperation Agreement exceeds three years, the Company has appointed Somerley Capital Limited, being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules, to explain the reason for the longer term and confirms that such term of such agreement is a normal business practice.

For further details, please refer to the Company's announcement on March 11, 2021.

Review of Annual Caps of the Continuing Connected Transactions

A summary of the proposed annual caps and the actual transaction amounts of the above continuing connected transactions for the year ended December 31, 2022 is set out as follows:

Continuing Connected Transactions	Proposed Annual Cap for 2022 *RMB'000*	Actual Transaction Amount in 2022 *RMB'000*
2021 Advertising Cooperation Framework Agreement (Revenue-based)		
Advertising service fee payable by Tencent Group to our Group	46,800	11,397
2021 Payment Service Framework Agreement (Expense-based)		
Payment service fee payable by our Group to Tencent Group	5,184	3,403
2021 Products and Services Purchasing Framework Agreement (Expense-based)		
Procurement fee payable by our Group to Tencent Group for products and services	27,300	19,966
Amended 2021 IP Cooperation Framework Agreement (Expense-based)		
Licensing fee and/or revenue share payable by our Group to the Tencent Group	30,000	2,358
Amended 2021 Game Cooperation Framework Agreement		
Distribution fee payable by our Group to Tencent Group (Expense-based)	23,760	9,934
Licensing fee payable by Tencent Group to our Group in the form of revenue sharing (Revenue-based)	125,941	35,893
Licensing fee payable by our Group to Tencent Group (Expense-based)	42,556	39,637
Customized development fee payable by Tencent Group to our Group (Revenue-based)	21,667	8,321
QQfamily Cooperation Agreement (Expense-based)		
Licensing fee for the QQfamily IPs payable by our Group to Tencent Group	2,000	1,887

Annual Review by our Independent Non-Executive Directors and Auditor

For the year ended December 31, 2022, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Company;
2. on normal commercial terms or better; and
3. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Auditor of the Company has performed certain pre-determined procedures regarding the continuing connected transactions entered into by the Company as set out above for the year ended December 31, 2022, and states that:

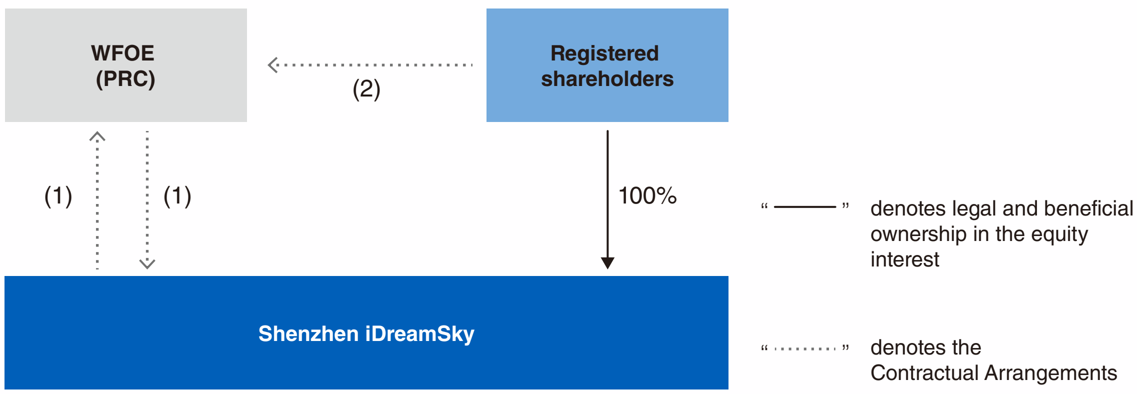
1. the transactions have been approved by the Board;
2. the transactions were, in all material respects, in accordance with the pricing policies of the Company;
3. the transactions were entered into in accordance with the relevant agreements governing the transactions; and
4. the aggregate amounts of the transactions have not exceeded the relevant caps as disclosed in the Prospectus.

Details of the related party transactions carried out in the normal course of business are set out in Note 37 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Our Company has entered into a series of Contractual Arrangements with the WFOE and our PRC Consolidated Affiliated Entities, pursuant to which our Company would gain effective control over, and receive all the economic benefits generated by, the businesses operated by our PRC Consolidated Affiliated Entities. Accordingly, through the Contractual Arrangements, the results of operations and assets and liabilities of Shenzhen iDreamSky and its subsidiaries are consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. The total revenue of our PRC Consolidated Affiliated Entities during the year ended December 31, 2022 was approximately RMB2,753.8 million, and the total assets of our PRC Consolidated Affiliated Entities as at December 31, 2022 was approximately RMB3,664.3 million.

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities to our Group as stipulated under the Contractual Arrangements:



Notes:

(1) WFOE provides business support, technical support, consulting services and other services in exchange for service fees from Shenzhen iDreamSky. Please refer to the paragraph headed "Summary of the Contractual Arrangements" below.

(2) The registered shareholders of Shenzhen iDreamSky, namely Mr. Chen Xiangyu, Mr. Guan Song, Ningbo Meishan Free Trade Zone iDream Tonghui Investment Partnership (Limited Partnership) (寧波梅山保稅港區築夢同輝投資管理合夥企業(有限合夥)), Mr. Lei Junwen, Mr. Su Meng, Linzhi Yongjin Information Technology Co., Ltd. (林芝永進信息科技有限公司) and Hengqin Chuangmeng Ruitong Equity Investment (Limited Partnership) (橫琴創夢瑞通股權投資企業(有限合夥)) are collectively referred to as "Registered Shareholders". Mr. Chen Xiangyu, Mr. Guan Song, Mr. Lei Junwen and Mr. Su Meng are referred to as the "Relevant Individual Shareholders".

The Registered Shareholders executed exclusive option agreement, powers of attorney and equity pledge agreements, and the spouse of each of the Relevant Individual Shareholders executed an undertaking, in favour of WFOE. Please refer to the paragraph headed "Summary of the Contractual Arrangements" below.

(3) In addition to the restricted and/or prohibited business of our Company, Shenzhen iDreamSky also holds investments in certain entities in the PRC (the "**Relevant Entities**"), each of which (i) is engaged in business subject to foreign ownership restriction; (ii) is engaged in business subject to foreign ownership prohibition; or (iii) does not currently carry out business operations that are subject to foreign investment restrictions under the Negative List; however, (a) the Relevant Entity intends to invest or engage in potential businesses that are subject to foreign investment restrictions and has expressly rejected our Company's proposed transfer of interest in the Relevant Entity held by our Group to WFOE, (b) the transfer of interest in the Relevant Entity is expressly prohibited pursuant to the relevant requirement under the PRC laws, and/or (c) based on our Company's communication with the other stakeholders in the Relevant Entity, it would be impracticable to obtain the consent and/or assistance from all of the relevant stakeholders required for our Company's proposed transfer of interest in the Relevant Entity held by our Group to WFOE. For further details of these Relevant Entities, please refer to pages 213 to 224 of the Prospectus.

Summary of the Contractual Arrangements

A brief description of each of the specific agreements that comprise the Contractual Arrangements is set out as follows:

Exclusive Business Cooperation Agreement

On May 10, 2018, WFOE and Shenzhen iDreamSky entered into the exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Shenzhen iDreamSky agreed to engage WFOE as its exclusive service provider to provide, including but not limited to, technical support, development, maintenance and update of software, business management consultation, marketing and promotion services, leasing, assignment or disposal of equipment or properties, and other services. In exchange for these services, Shenzhen iDreamSky shall pay a service fee, which shall consist of 100% of the total consolidated profit of Shenzhen iDreamSky, after deducting any accumulated deficit of Shenzhen iDreamSky and its affiliated entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. During the term of the Exclusive Business Cooperation Agreement, WFOE enjoys all the economic benefits in relation to Shenzhen iDreamSky's business operation. The Exclusive Business Cooperation Agreement also provides that WFOE has the exclusive and proprietary ownership, rights and interests in all intellectual properties arising out of or created during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in writing by WFOE; or (c) renewal of the business operation term of either the WFOE or Shenzhen iDreamSky is not approved or consented by the relevant government authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon expiry of that business operation term.

Exclusive Option Agreement

On May 10, 2018, WFOE, Shenzhen iDreamSky and the Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreement**"), pursuant to which WFOE has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in Shenzhen iDreamSky at any time and from time to time at WFOE's sole and absolute discretion to the extent permitted by PRC laws.

The Exclusive Option Agreement shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in Shenzhen iDreamSky have been transferred to WFOE or its appointee(s).

Equity Pledge Agreement

On May 10, 2018, WFOE, Shenzhen iDreamSky and the Registered Shareholders entered into the equity pledge agreement (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Shenzhen iDreamSky to WFOE as collateral security for any and all of the secured indebtedness under the Contractual Arrangements and for securing the performance of their obligations under the Contractual Arrangements. During the pledge period, WFOE was entitled to receive any dividends or other distributable benefits arising from the equity interests in Shenzhen iDreamSky held by the Registered Shareholders.

The pledge in favour of WFOE under the Equity Pledge Agreement shall remain valid until all the contractual obligations of the Registered Shareholders and Shenzhen iDreamSky under the Contractual Arrangements have been fully performed and all the secured indebtedness of the Registered Shareholders and Shenzhen iDreamSky under the Contractual Arrangements have been fully paid.

Powers of Attorney

On May 10, 2018, the Registered Shareholders executed powers of attorneys (the "**Powers of Attorney**"), pursuant to which the Registered Shareholders irrevocably appointed WFOE and its appointees (including but not limited to the directors of WFOE and their successors and liquidators replacing the directors but excluding those non-independent directors or who may give rise to conflict of interests) as their exclusive agents and attorneys-in-fact to act on their behalf on all matters concerning Shenzhen iDreamSky and to exercise all of their respective rights as a Registered Shareholder of Shenzhen iDreamSky in accordance with the PRC laws and the Articles of Association of Shenzhen iDreamSky.

The Powers of Attorney shall be irrevocable and remain effective for so long as each Registered Shareholder holds equity interest in Shenzhen iDreamSky.

Spouse Undertakings and Confirmations from the Relevant Individual Shareholders

The spouse of each of the Relevant Individual Shareholders, where applicable, has signed an undertaking (the "**Spouse Undertakings**") to the effect that (i) the respective Relevant Individual Shareholder's interests in Shenzhen iDreamSky (together with any other interests therein) do not fall within the scope of communal properties; and (ii) the spouse has no right to or control over such interests of the respective Relevant Individual Shareholder and will not have any claim on such interests.

Each of the Relevant Individual Shareholders has also confirmed to the effect that (i) his/her spouse is aware of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney; (ii) his shareholding is his personal property and does not constitute joint property; (iii) his/her spouse agrees that he has the right to claim any interests, handle his shareholding at his sole discretion without consent of his/her spouse and to enjoy the rights and perform the obligations under the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney by himself. If he/she and his/her spouse get divorced, the equity interest in the domestic company held by him/her is his/her personal property and does not constitute a joint property of him/her and his/her spouse, and he/she will take measures to ensure the performance of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney and will not take any actions in violation of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney; and (iv) in the event of his/her death, incapacity or any other event which causes his/her inability to exercise his/her shareholder's rights in Shenzhen iDreamSky, his/her successors will inherit all his/her rights and obligations under the Power of Attorney.

Reasons for adopting the Contractual Arrangements

Our principal businesses involve publication and operation of games through mobile apps and websites and are subject to foreign investment restrictions in accordance with the Guidance Catalog of Industries for Foreign Investment. In view of such PRC regulatory background, after consultation with our PRC legal advisers, we determined that it was not viable for our Company to hold our PRC Consolidated Affiliated Entities directly through equity ownership. For further details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements — PRC Regulatory Background — Overview" and "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment" on pages 211 to 212 and pages 239 to 246 of the Prospectus.

Risks relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

1. If the PRC government determines that the Contractual Arrangements do not comply with the applicable regulations, our business could be materially and adversely affected;
2. If the PRC government determines that our ownership structure does not comply with restrictions contained in the GAPP Notice, we would be subject to severe penalties;
3. Our Contractual Arrangements with Shenzhen iDreamSky and its Registered Shareholders may not be as effective in providing control as direct ownership. Shenzhen iDreamSky and its Registered Shareholders may fail to perform their obligations under these Contractual Arrangements;
4. Our ability to enforce the share pledge agreements may be subject to limitations based on PRC laws and regulations;
5. The Registered Shareholders of Shenzhen iDreamSky have potential conflicts of interest with us, which may adversely affect our business;
6. We may lose the ability to use and enjoy the benefits of the assets held by Shenzhen iDreamSky that are important to the operations of our business if such entity goes bankrupt or becomes subject to dissolution or liquidation proceeding;
7. Our Contractual Arrangements with Shenzhen iDreamSky may result in adverse tax consequences; and
8. Substantial uncertainties exist with respect to enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current cooperate structure, corporate governance and business operations.

For further details of these risks, please refer to the section headed "Risk Factors — Risks Related to Our Contractual Arrangements" on pages 51 to 58 of the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
2. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance with WFOE and our PRC Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the HKEX

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions for our Company pursuant to Chapter 14A of the Listing Rules. As such, we have applied to the HKEX, and the HKEX has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long our Shares are listed on the HKEX, subject, however, to the following conditions:

1. no change to the Contractual Arrangements will be made without independent non-executive Directors' approval;
2. no change to the Contractual Arrangements will be made without independent Shareholders' approval;
3. on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our PRC Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon expiry of the existing arrangements or in relation to any existing or new WFOE or operating company (including branch companies) engaging in the same business as that of our Group which our Group may wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
4. we will disclose details relating to the Contractual Arrangements on an ongoing basis.

Annual Review by our Independent Non-Executive Directors and Auditor

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

1. the transactions carried out during the year ended December 31, 2022 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
2. no dividends or other distributions had been made by our PRC Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
3. other than the Contractual Arrangements, no new contracts had been entered into, renewed and/or reproduced between our Group and the PRC Consolidated Affiliated Entities during the year ended December 31, 2022; and
4. the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable so far as our Group is concerned, and in the interest of our Company and its Shareholders as a whole.

Our Auditor has confirmed in a letter to our Board that the transactions under the Contractual Arrangements have been approved by our Board, the transactions carried out during the year ended December 31, 2022 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by our PRC Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

DONATIONS

During the Reporting Period, the Company insisted on participating in public welfare establishments with a high sense of social responsibility.

In February 2022, the fifth round of COVID-19 pandemic in Hong Kong intensified and the number of confirmed cases continued to increase. The Company donated HK$1,000,000 for the procurement of anti-epidemic supplies, which were arranged by the Hong Kong Police Welfare Fund. In addition, the Company urgently prepared to donate 1,000 N95 masks, 300 goggles and 500 sets of protective clothing on February 28, 2022 after learning that the frontline journalists of Hong Kong Takungpao were in short supply of protective materials.

In September 2022, an earthquake of magnitude 6.8 occurred in Luding County, Garze Prefecture, Sichuan Province. After being informed, the Company immediately contacted the Garze Tibetan Autonomous Prefecture Charity Association and Ya'an Charity Association to donate a total of RMB800,000, which was targeted to be used for procurement of emergency materials, public safety protection and post-disaster reconstruction.

In addition, the Company continued to pay attention to rural education, animal protection and social aesthetic education, and devoted itself to public welfare. In addition to donation of money and materials, we also encourage and organize our employees to participate in public welfare activities in person, and even combine public welfare activities with the Company's products, so as to launch an initiative for over 100 million game users, which has greatly expanded the impact of public welfare activities. For details, please refer to the 2022 Environmental, Social and Governance Report of the Company.

ISSUANCE OF DEBENTURES

During the Reporting Period, no issuance of debentures was made by the Company. However, on October 6, 2020, Dreambeyond Holdings Limited ("**DHL**"), a wholly owned subsidiary of the Company and Merrill Lynch (Asia Pacific) Limited (the "**Manager**") entered into a subscription agreement, pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds to be issued by DHL in an aggregate principal amount of HKD775 million, which was completed on October 16, 2020. Pursuant to the above subscription agreement, the convertible bonds are convertible into shares of the Company at any time during the conversion period and the initial conversion price is set at HKD4.99 per share. For further details of the issue of the convertible bonds, please refer to the Company's announcements dated October 7, 2020 and October 16, 2020, respectively.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

EMPLOYEES AND THEIR REMUNERATION POLICIES, RETIREMENT PLANS AND TRAINING PROGRAMS

As at December 31, 2022 and 2021, we had 1,048 and 1,113 full-time employees, respectively. Substantially all of our employees are located in the PRC, and a small number of employees are located in Hong Kong.

Our success depends on our ability to attract, retain and motivate qualified personnel. We provide employees with competitive remuneration packages to achieve the Group's talent strategic objectives. In addition to basic salary, we also provide employees with diversified remuneration policies such as performance bonus and share awards. Details of the remuneration of employees are set out in Note 10 to the consolidated financial statements in this annual report. We also purchase commercial health and accident insurance for our employees. We have granted, and plan to continue to grant in the future, share award schemes to our employees to incentivize their contributions to our development.

The Group and its employees in the PRC participate in various social security plans and housing funds in accordance with the laws and regulations of the PRC and the requirements of the relevant authorities where the PRC employees are located. Among them, post-employment benefit plans are basic pension insurance organized and implemented by the Ministry of Labor and Social Security of the PRC (the "**Social Security Department**"), which belong to the category of defined contribution plans. These insurance plans shall be calculated as a percentage of the employees' basic salaries and make monthly contributions, which are charged to profit or loss on an accrual basis. The Social Security Department is responsible for the payment of the basic social pension to the retired employees upon their retirement in the PRC. We also make contributions for our Hong Kong employees at the statutory mandatory contribution rates jointly borne by the Company and the employees within the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance.

During the year ended December 31, 2022, no forfeited contributions were used to offset employers' contributions and forfeited contributions were available to reduce the contributions payable in the future years.

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 58 to 79 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the HKEX and permitted under the Listing Rules, were held by the public at all times during the Reporting Period and as at the date of this annual report.

SUBSEQUENT EVENTS

In February 2023, the Group disposed 27% equity interests of a subsidiary which operates the IP derivatives business and lost control over the subsidiary.

On March 20, 2023, the Group entered into a series of supplementary agreements on game cooperation with its shareholder, which are mainly related to cooperation of existing games, and certain new games that are expected to launch in the second half of 2023. Pursuant to the supplemental agreements, the Group has the right to receive an advance payment of RMB150,000,000 (of which RMB139,000,000 has been received) for the revenue sharing of such games, subject to certain conditions.

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor during the Reporting Period. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

During the past three years, the Company has not changed auditors.

On behalf of the Board
Chen Xiangyu
Chairman

Shenzhen, the PRC, March 30, 2023

Directors and Senior Management

Directors

Executive Directors

Mr. Chen Xiangyu (陳湘宇), aged 40, is an executive Director, Chairman of the Board and Chief Executive Officer of our Company. Mr. Chen has more than fifteen years of experience in mobile games, telecommunication, technology and management and is fully responsible for overseeing the Company's strategy, business and management. Mr. Chen is a co-founder and also serves as the chief executive officer and a director of Shenzhen iDreamSky, a director of Shenzhen Mengyu and a director of Chuangyi Shikong. Mr. Chen has received numerous awards and recognitions for his entrepreneurship and industry expertise, including being listed as one of the "40 Elite Individuals in Business Under the age of 40 in the PRC" (中國40位40歲以下的商界精英) in years 2014 and 2016 by Fortune Magazine (Chinese edition), being listed as one of the "Top 10 PRC Entrepreneurs Born in 1980s" (中國十大八零後創業家) by the Hurun Report (胡潤百富) in 2016, being listed as one of the "100 Most Innovative Individuals in PRC Business of 2016" (2016中國商業最具創意人物100) by the Fast Company Magazine, being awarded the Young Individual in Technology Award (青年科技獎) by the Shenzhen Science and Technology Association (深圳市科學技術協會) in 2017 and being selected as "Remarkable Young Entrepreneur of the Year in Shenzhen" (深圳青年創業年度風雲人物). In 2016, Mr. Chen was appointed as "Ambassador of Innovative Entrepreneurship of Nanshan District" (南山區創新創業形象大使) by the government of Nanshan District, Shenzhen, the PRC. In July 2017, he was nominated to the position of committee member of the Youth Association of Shenzhen (深圳市青年聯合會委員). Prior to joining our Group, Mr. Chen has held various positions in the telecommunications and technology industries, including serving as project manager at the overseas projects division of Achievo Information Technology (Shenzhen) Co., Ltd. (深圳市大展信息科技有限公司) from October 2008 to November 2009. Mr. Chen received his bachelor's degree in computer science and technology from the Central South University in the PRC in July 2000.

Mr. Guan Song (關嵩), aged 41, is an executive Director and Chief Technology Officer of our Company. Mr. Guan is also a co-founder and the chief technology officer of Shenzhen iDreamSky. Mr. Guan has more than fifteen years of experience in the telecommunications, technology and Internet, and is fully responsible for supervising the Company's business core technology deposition, international cutting-edge technology application research. Mr. Guan is the joint inventor of a Chinese invention patent and led the development of more than 10 game software products. Prior to joining our Group, Mr. Guan has held various positions in the telecommunications, technology and Internet industries, including serving as project manager at Achievo Information Technology (Shenzhen) Co., Ltd. (深圳市大展信息科技有限公司) from December 2006 to March 2010. Mr. Guan is certificated for High-Level Professional in Shenzhen by Human and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局). Mr. Guan received a bachelor's degree in software engineering from Zhejiang University in the PRC in June 2004.

Mr. Jeffrey Lyndon Ko (高煉惇), aged 40, is an executive Director and President of our Company. Mr. Ko is also a co-founder and the president of Shenzhen iDreamSky. Mr. Ko has more than twenty years of experience in the games industry and is fully responsible for overseeing the Company's game business segment, as well as overseas strategy, overseas pipeline connection and overseas investment. Except for holding positions in the Group, Mr. Ko was appointed as a special expert of expert think tank by China Game Industry Research Institute in August 2021, and was elected as the president of the Shenzhen ESports Association on November 2018. He also served as the honorary advisor of Hong Kong Esports Club Limited and the honorary president of Macau E-Sports Federation. In 2009, Mr. Ko was awarded a "Developer 30 Under 30 Award" from DEVELOP magazine. He was the first person of Chinese descent to have received such award. In 2018, Mr. Ko was awarded as one of the Top 100 Generation Talents with Most Potential of China.

Non-executive Directors

Mr. Ma Xiaoyi (馬曉軼), aged 48, was appointed as our non-executive Director in May 2018. Mr. Ma has extensive industry experience in the telecommunications and games industries. He joined Tencent in 2007 and is currently the senior vice president of Tencent, where he is responsible for international distribution of Tencent games, establishing and maintaining long-term business partnerships and cooperation for Tencent since November 2008. Before that, Mr. Ma served as general manager of the game business department of Optic Communication Co., Ltd. (廣州光通通信發展有限公司) from January 2003 to April 2007, where he was responsible for online gaming business. Mr. Ma obtained his EMBA degree from Fudan University in the PRC in June 2008.

As at the date of this annual report, our non-executive Director, Mr. Ma Xiaoyi, held directorship in two companies principally or partially engaged in developments and/or distribution of online and/or mobile games, which are Supercell Oy and Seasun Holdings Limited. Mr. Ma was not involved in the daily management and operation of our Company and the aforementioned companies. As such, the directorship held by Mr. Ma would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Mr. Zhang Han (張涵), aged 42, was appointed as a non-executive Director of our Company in April 2020. Mr. Zhang is currently a partner of Sequoia Capital China. Prior to that, Mr. Zhang served as a partner of Redpoint China Ventures (紅點中國創業投資基金) from 2017 to 2021, Mr. Zhang served as a partner of Redpoint Ventures (紅點創業投資基金) from 2010 to 2016 and a market engineer at Infineon Technologies (China) Co., Ltd. (英飛凌科技(中國)有限公司), a global leading semiconductor company, from 2006 to 2009. Mr. Zhang was selected as one of the top 40U40 investors in CY Zone in 2018. He was also selected as one of the top 50 China Mid-Generation Investors in 36Kr, one of the F40 China Young Investors in Investment World and one of the of 70 Youth Leader GP30 of the generation born in the 70s in FOF Weekly in 2019. Mr. Zhang obtained his bachelor's degree in automation and master's degree in vehicle engineering in Tsinghua University in 2002 and 2005, respectively.

Mr. Yao Xiaoguang (姚曉光), aged 43, was appointed as a non-executive Director of our Company in August 2020. He currently serves as vice president of Tencent Holdings Limited, president of Timi Studios Group under Interactive Entertainment Group, concurrently in charge of social platform business of Platform and Content Business Group. Since Mr. Yao jointed Tencent in 2006, he has continued to launch games successfully in various genres including roleplaying games (RPG), shooting, battle arena, strategy and car-racing. Before joining Tencent, Mr. Yao served as deputy managing director of Shengjin Game Company (盛錦遊戲公司) of Shanda Network. Mr. Yao holds a bachelor's degree, and also completed management courses with China Europe International Business School in 2013.

Mr. Chen Yu (陳宇), aged 43, was appointed as a non-executive Director of our Company in August 2020. He currently serves as vice president of Tencent and president of Lightspeed & Quantum Studios Group. Since Mr. Chen joined Tencent in 2003, he has taken lead in R&D, operation and introduction of a number of games, focusing on development of hardware and software on virtual reality and next-generation computer platform and cloud service technology. Mr. Chen obtained a bachelor's degree in property planning and real estate from Sichuan Normal University in July 2001, and an EMBA degree from China Europe International Business School in July 2011.

Independent Non-executive Directors

Ms. Yu Bin (余濱), aged 52, was appointed as independent non-executive Director of our Company in May 2018. Ms. Yu has extensive industry experience in financial management. In addition to her position in our Group, Ms. Yu has been an independent director of Kuke Music Holding Limited since January 2021, an independent non-executive director of ZERO2IPO Holdings Inc. (清科創業控股有限公司) since December 2020, an independent director of Baozun Inc. since May 2015, and an independent director of GDS Holdings Ltd. since November 2016. Before that, Ms. Yu has served as an independent non-executive director of Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司) from July 2014 to January 2021, as the chief financial officer of Lingochamp Inc. from October 2017 to January 2020, as the chief financial officer of InnoLight Technology Corp. from January 2015 to April 2017, as the chief financial officer of Star China Media Limited (星空華文傳媒集團) from May 2013 to January 2015, as a senior vice president of Youku Tudou Inc. from August 2012 to April 2013, as the chief financial officer of Tudou Holdings Limited from January 2012 to April 2013, and as the vice president of finance of Tudou Holdings Limited from July 2010 to December 2011.

Ms. Yu obtained a bachelor's degree in English literature from Xi'an Foreign Language University in the PRC in July 1992, a master's degree in accounting from the University of Toledo in the United States in May 1999, and a Tsinghua–INSEAD Executive MBA degree from Tsinghua University and INSEAD in January 2013. She has been a member of the American Institute of Certified Public Accountants since November 2013 and a member of Chartered Global Management Accountant since December 2013.

Mr. Li Xintian (李新天), aged 57, was appointed as independent non-executive Director in May 2018. In addition to his position in our Group, Mr. Li has been serving as a professor in the University of Wuhan since November 2005. Prior to that, Mr. Li has been teaching in the Office of Teaching and Research of Civil Commercial Law of the Department of Law of the University of Wuhan (武漢大學法學院民商法教研室) since September 1992, where he has held the position of lecturer and became an associate professor on June 2000. In addition, Mr. Li has held independent directorships in a number of listed companies: Mr. Li has been an independent director of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) from November 2013 to February 2015, an independent director of Hubei Century Network Technology Co., Ltd. (湖北盛天網絡技術股份有限公司) from May 2012 to November 2015 and an independent director of Guangdong Hec Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) from May 2008 to May 2014. He was admitted by the Ministry of Justice of Hubei (湖北省司法廳) as a lawyer in July 1993. Mr. Li obtained his bachelor's degree in law in July 1989 from the Wuhan University in the PRC and his doctorate degree in law from the Wuhan University in the PRC in June 2002.

Mr. Zhang Weining (張維寧), aged 44, was appointed as independent non-executive Director in May 2018. In addition to his position in our Group, Mr. Zhang has been serving as an associate professor of Cheung Kong Graduate School of Business (長江商學院) since May 2015. Before that, Mr. Zhang served as assistant professor in Business School of National University of Singapore from August 2010 to December 2011. He has been a director of Transino Technology Corp., LTD. (北京時代正邦科技股份有限公司) since September 2016, and holds approximately 0.15% of the share capital therein. Mr. Zhang has been serving as an independent non-executive director of Grandshores Technology Group Limited (雄岸科技集團有限公司) from June 2018 to May 2022. Mr. Zhang has been a director of Guangzhou Topcomm Media Advertising Co., Ltd. (廣州尚思傳媒廣告股份有限公司) from June 2013 to May 2018, and holds approximately 4.32% of the share capital therein. Mr. Zhang has been a director of Sichuan Tianyi Science & Technology Co., Ltd. (四川天一科技股份有限公司) from August 2012 to November 2015. Mr. Zhang obtained his bachelor's degree in accounting in Southwestern University of Finance and Economics in the PRC in July 2001 and his doctorate degree in management in the University of Texas in the United States in August 2010.

Mr. Mao Rui (毛睿), aged 47, was appointed as independent non-executive Director of our Company in August 2020. In addition to his position in our Group, Mr. Mao has joined Shenzhen University as an associate professor of College of Computer Science and Software Engineering in 2010, and currently serves as a Changjiang Scholars Special Position professor and associate dean of College of Computer Science and Software Engineering, primarily responsible for research and foreign affairs. His research primarily focuses on big data management and high-performance computing.

Mr. Mao also serves as an executive director of Shenzhen Institute of Computing Sciences, associate director of National Engineering Laboratory for Big Data System Computing Technology, director of Guangdong Provincial Key Laboratory of Ordinary High-Performance Computing, director of Guangdong Provincial Engineering Technology Research Center of Domestic High-Performance Data Computing System, and director of Shenzhen Key Laboratory of Service Computing and Application. He is also a distinguished member of China Computer Federation (CCF), and is on expert panel of Big Data, Database and Theoretical Computer Science.

Mr. Mao obtained a bachelor's degree and a master's degree in Computer Science from University of Science and Technology of China in 1997 and 2000, respectively. He further obtained a master's degree in Statistics and a Ph.D. in Computer Science from the University of Texas at Austin in the United Sates in 2006 and 2007, respectively.

Senior Management

Mr. Lei Junwen (雷俊文), aged 39, was appointed as Chief Financial Officer of our Company since May 2018 and is primarily responsible for the overall financial management, financing matters and strategic development of our Group. Mr. Lei also serves as the chief financial officer of Shenzhen iDreamSky and a director of Horgos iDreamSky. Mr. Lei has extensive industry experience in the financial management, accountancy and consultancy industries, including experience in KPMG from August 2006 to May 2010, where he was eventually promoted to audit assistant manager, as senior manager of Vermillion Partners Limited (銀硃合夥人有限公司) from June 2010 to November 2013 and as chief financial officer of XDK Communication Equipment (Huizhou) Co., Ltd. (訊達康通訊設備(惠州)有限公司) from December 2010 to November 2013. Mr. Lei obtained his bachelor's degree in accounting from Zhejiang University in the PRC in June 2005.

Mr. Ho, Mario Yau Kwan (何猷君), aged 29, was appointed as Chief Marketing Officer of our Company since May 2018 and is primarily responsible for marketing and promotions, Esports related business and augmented reality games. Mr. Ho also serves as the chief marketing officer of Shenzhen iDreamSky. Mr. Ho has been the first Chairperson of the Macau E-sports Federation since April 2018. He has been a member of the Guangdong Province Federation of Returned Overseas Chinese Youth Committee (廣東省僑聯青年委員會) and a member of the Youth Committee of the Associação Comercial de Macau (澳門中華總商會青年委員會) since 2018. Mr. Ho obtained his bachelor's degree in management science in June 2016 from the Massachusetts Institute of Technology.

For biographical details of Mr. Chen Xiangyu, Mr. Guan Song and Mr. Jeffrey Lyndon Ko, who form part of our senior management team, please refer to the section above on pages 52 to 53.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of the Shareholders and Stakeholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Board Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company's strategic decisions and monitors business and performance. To ensure high efficient operation and flexible and fast decision making, the Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. The senior management team meets as frequent as necessary to formulate policies and make recommendations to the Board. The senior management team administers, enforces, interprets and supervises compliance with the internal rules and operational procedures of the Company as well as its subsidiaries and conducts regular reviews, recommends and advises on appropriate amendments to such rules and procedures. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

To oversee particular aspects of the Company's affairs, the Board delegates certain matters requiring particular time, attention and expertise to the Board committees with the support of independent oversight and experts, which are more appropriate for the Board committees to deal with. As such, the Board has established four Board committees to take charge of these matters and to assist the Board in making appropriate decision. These four Board committees include the audit committee (the "**Audit Committee**"), the remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"), the nomination committee (the "**Nomination Committee**") and the strategy committee (the "**Strategy Committee**") of the Company (together, the "**Board Committees**"). Each of the committees has its written terms of reference which clearly specify its powers and authorities. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors but may delegate some corporate governance duties to the Board Committees.

The corporate governance functions of the Board include:

1. to develop and review the Company's policies and practices on compliance with corporate governance;
2. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
3. to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees;
4. to assign the Audit Committee to review and monitor the effectiveness of the Company's risk management and internal control systems, evaluate and manage the risks faced by the Company, and review and monitor the whistleblowing policy and its compliance;
5. to assign the Nomination Committee to review and monitor the Board Diversity Policy and continuous professional development of Directors;
6. to review the Shareholders' Communication Policy to enhance effective communication between the Company and the Shareholders; and
7. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board reviews the Company's corporate governance policies at least annually. The regular key concerns of the Board include but are not limited to: significant risks faced by the Group, the effectiveness of the internal control system, the review of the Articles of Association of the Company and the decision-making authority and authorization system of the Board and senior management of the Company.

At the Board meeting dated March 30, 2023, the Board has reviewed and approved the Corporate Governance Report of the Company for the year 2022 and authorized for issue. For details of risk management and internal control in 2022, please refer to the section headed "Risk Management and Internal Control" on pages 72 to 76 of this report.

Mechanisms for the Board to obtain independent views and opinions

All Directors of the Company received a comprehensive induction on the first occasion of their appointment, through training and reading on relevant materials, so as to ensure that they understand the business and operations of the Group and are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Company continues to provide the Directors with information and materials related to the updates of the Listing Rules, listing regulatory information, and directors' training materials relevant to the performance of their duties, so that the Directors can continue to obtain professional development and perform their duties in accordance with the Listing Rules and relevant laws and regulations.

Each Director is entitled to seek advice from the Company's management, company secretary or relevant departments of the Company regarding the Company's relevant circumstances, and to seek independent professional advice on any matters relating to the performance of his/her duties at the Company's expense. The Company has purchased liability insurance for Directors and senior management in respect of legal risks that may be faced by the Directors and senior management in the performance of their duties to ensure that the Directors and senior management can contribute independent views and opinions to the Company.

During the Reporting Period, the Board has reviewed the implementation of the Mechanism and reviewed and considered that the Mechanism remains effective.

Board Diversity Policy

The Company recognizes the benefits of having a diverse Board and recognizes that maintaining diversity at Board, senior management team and employee is an essential element in maintaining and enhancing the Company's competitive advantage. The Company is committed to promoting gender diversity at the Board and throughout the Group.

The Company has adopted a board diversity policy (the "**Board Diversity Policy**"), which is available on the website of the Company, to ensure that the Company will consider board diversity in terms of, among other things, age, cultural and educational background, professional and industry experience, special skills, knowledge, perspectives and other contributions that can be made to the Board when selecting candidates to join the Board, with a focus on gender as one of the factors in achieving board diversity of the Company.

The Board Diversity Policy of the Company requires that the number of independent non-executive Directors shall account for at least one-third of the Board, and there shall be at least one female Director and one independent non-executive Director with financial related background. During the Reporting Period, the Board has reviewed the Board Diversity Policy and is of the view that the current Board composition has fully complied with the aforesaid requirements. We aim to maintain at least the current level of female representation on our Board. The Board will also consider to further increase the proportion of its female members when suitable candidates are available in the future.

When selecting suitable candidates for senior management and employees, the Group not only considers the experience and ability of the candidates, but also resolutely opposes gender discrimination. As at December 31, 2022, the number of female employees of the Group accounted for approximately 42.9% of the total number of employees. The Board considers that the Group has achieved gender diversity at the employee level.

Nomination Policy for Directorship

In light of article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Subject to the provisions of the Articles of Association and the Cayman Companies Act, upon the resolutions proposed by a majority of the Directors, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

The majority of the members of the Board shall consist of citizens of the People's Republic of China (the "**PRC Nationals Requirement**"). The Company may by ordinary resolution at any time remove any Director (including a managing director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any such change shall be subject to the aforementioned PRC Nationals Requirement. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed. The Nomination Committee is bound to follow the PRC Nationals Requirement.

Nomination Committee's Role and its Selection Process and Criteria

The Nomination Committee shall review the said information and documents provided by the nominated candidate and conduct the following process (in accordance with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a director of the Company before making recommendations to the Board:

1. to assess such candidate's qualifications, skills, knowledge, ability and experience and also potential time commitment and attention to perform director's duties under common law, legislation and applicable rules, regulations and guidance (including without limitation the Listing Rules and the "Guidance for Boards and Directors" published by the HKEX (the "**Guidance for Boards**")), with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board (including potential contributions in terms of qualifications, skills, experience, independence and gender diversity);
2. in addition and without prejudice to Paragraph 1 above, to assess such candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);
3. with reference to the Company's Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition (including without limitation the balancing of the age, gender, cultural and educational background, professional and industry experience, skills and knowledge, and diversity of perspectives appropriate to the requirements of the Company's business) of the Board and the Company's strategy, with due regard for the benefits of the appropriate diversity of the Board and also such candidate's potential contributions thereto;
4. to consider board succession planning considerations and the long-term needs of the Company;
5. in case of a candidate for an independent non-executive Director of the Company, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive Directors set out in code provision B.3.4 of Appendix 14 to the Listing Rules and in the Guidance for Boards; and
6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

Board's Decision

The Board shall consider the recommendations from the Nomination Committee and make a decision as to whether the nominated candidate shall be eligible to be appointed as a director of the Company.

Board Composition

As at the date of this annual report, the Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors as follows:

Executive Directors

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

Non-executive Directors

Mr. Ma Xiaoyi
Mr. Zhang Han
Mr. Yao Xiaoguang
Mr. Chen Yu

Independent Non-executive Directors

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

The biographies of the Directors are set out under the section headed "Directors and Senior Management" on pages 52 to 57 of this annual report. To the knowledge of the Board, save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationships (including financial, business, family or other material or relevant relationship) with any other Directors.

For the Reporting Period, the Board has met at all times the requirements under Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Director with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and relating to the appointment of independent non-executive Directors representing at least one-third of the Board. As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company. Pursuant to the agreement, they have agreed to act as executive Directors for a term of three years with effect from the date of their appointments or renewal of the service contract (subject always to re-election as and when required under the Articles of Association). Either party has the right to give not less than three months' prior notice in writing to terminate the relevant agreement.

Each of the non-executive Directors has entered into a service contract with the Company. The term of their office shall be three years from the date of their appointments or renewal the service contract (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. The term of their office shall be three years from the date of their appointments or renewal of the letter of appointment subject always to re-election as and when required under the Articles of Association until terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than three months' prior notice in writing.

None of the Directors has a service contract or an appointment letter which is not determinable by the Company within one year without paying compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

In accordance with article 16.19 of the Articles of Association, at every AGM of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 16.2 or article 16.3 of the Articles of Association shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the general meeting at which he retires and shall be eligible for re-election thereat. The Company at any AGM at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

In accordance with article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with article 16.3 of the Articles of Association, the Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. Subject to the provisions of the Articles of Association and the Cayman Companies Act, upon the resolutions proposed by a majority of the Directors, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Chairman and Chief Executive Officer

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should be performed by different individuals.

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 the 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.

Continuous Professional Development of Directors

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director. Each Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. The Company also organizes related training programs for the directors from time to time to provide directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors and senior management team also meet a periodically or as necessary to discuss issues such as operation of the Group, corporate governance policies, and regulatory compliance.

For the year ended December 31, 2022, all Directors had participated in the continuous professional development relating to relevant directors' duties and responsibilities and the latest regulatory information and business of the Group in the following ways:

Name of Directors	**Participation in continuous professional development** *Yes/No*
Executive Directors:	
Mr. Chen Xiangyu	Yes
Mr. Guan Song	Yes
Mr. Jeffrey Lyndon Ko	Yes
Non-executive Directors:	
Mr. Ma Xiaoyi	Yes
Mr. Zhang Han	Yes
Mr. Yao Xiaoguang	Yes
Mr. Chen Yu	Yes
Independent non-executive Directors:	
Ms. Yu Bin	Yes
Mr. Li Xintian	Yes
Mr. Zhang Weining	Yes
Mr. Mao Rui	Yes

Participation in continuous professional development includes attending the trainings/seminars and/meetings arranged by the Company or other external parties, or reading materials relevant to corporate governance, Listing Rules, latest regulatory information and other regulatory requirements, and the Group's businesses.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year for Board meetings, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

The Chairman of the Board also focuses on the communication with the independent non-executive Directors and holds at least one meeting with the independent non-executive Directors annually without the presence of other Directors.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board documents are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Six Board meetings and two general meetings (i.e., Extraordinary General Meeting dated February 16, 2022 ("**2022 EGM**") and Annual General Meeting dated April 29, 2022 ("**2021 AGM**")) of the Company were held during the Reporting Period. All the Directors have attended the AGM. The attendance of each Director at the Board meetings and the general meetings is set out in the table below:

	Number of meetings attended/eligible to attend		
Directors	**Board meetings**	**2022 EGM**	**2021 AGM**
Executive Directors:			
Mr. Chen Xiangyu	6/6	1/1	1/1
Mr. Guan Song	6/6	1/1	1/1
Mr. Jeffrey Lyndon Ko	6/6	1/1	1/1
Non-executive Directors:			
Mr. Ma Xiaoyi	6/6	0/1	1/1
Mr. Zhang Han	6/6	1/1	1/1
Mr. Yao Xiaoguang	6/6	0/1	1/1
Mr. Chen Yu	6/6	0/1	1/1
Independent non-executive Directors:			
Ms. Yu Bin	6/6	1/1	1/1
Mr. Li Xintian	6/6	1/1	1/1
Mr. Zhang Weining	6/6	1/1	1/1
Mr. Mao Rui	6/6	1/1	1/1

BOARD COMMITTEES

As described above, the Board has established four Board Committees, each of which has been delegated responsibilities and reports back to the Board: Audit Committee, Nomination Committee, Remuneration and Appraisal Committee, and Strategy Committee. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code. The terms of reference of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee are available on the Company's website and the HKEX's website.

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 principal duties of the Audit Committee are as follows:

1. Being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of its resignation or dismissal;
2. Monitoring the integrity of the Group's financial statements, annual reports and accounts, half year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;
3. Reviewing the Group's financial controls, risk management and internal control systems; and
4. Discussing the risk management and internal control systems with the senior management ensuring that the senior management has performed its duties to have effective systems and to review annually the effectiveness, adequacy and appropriateness of those systems. This review should include adequacy of resources, staff qualifications and experience, training programs and budgets of the Group's accounting and financial reporting functions.

The code provision D.3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Company's Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the code provision D.3.3(e)(i) of the CG Code during the Reporting Period.

The Audit Committee has fully complied with its terms of reference. During the Reporting Period, three Audit Committee meetings were held, the attendance of members of the Audit Committee at the meetings is set out in the following table:

Directors	Attended/Eligible to Attend
Mr. Zhang Weining *(Chairman)*	3/3
Ms. Yu Bin	3/3
Mr. Li Xintian	3/3
Mr. Zhang Han	3/3

During the Reporting Period, the Audit Committee discussed and considered the following matters:

1. reviewed with the management and Auditor of the Company the accounting policies and practices adopted by the Group, to discuss the unaudited interim financial statements for the six months ended June 30, 2022;
2. planning meeting covering the engagement with external Auditor, and the nature and scope of the audit and reporting obligations before the annual audit commences;
3. reviewed annual results of the Company and its subsidiaries for the year ended December 31, 2021 as well as the audit report prepared by the Company's Auditor relating to accounting issues and major findings in course of audit;
4. reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes; and
5. discussed the re-appointment arrangement of the Company's Auditor.

Nomination Committee

The Nomination Committee currently comprises five members, including two executive Directors, namely Mr. Chen Xiangyu (Chairman) and Mr. Guan Song, and three independent non-executive Directors, namely Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining.

The principal duties of the Nomination Committee are as follows:

1. Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. Making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. The Nomination Committee shall make recommendations on appointment of Directors with due regard to the Board Diversity Policy of the Company and in accordance with the challenges and opportunities faced by the Company;
3. Identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
4. Assessing the independence of independent non-executive Directors; and
5. Before making any appointment recommendations to the Board, evaluating the balance of Directors based on (including but not limited to) gender, age, cultural and educational background, professional and industry experience, and, in the light of such evaluation preparing a description of the roles and capabilities required for a particular appointment.

The Nomination Committee assesses the candidate or incumbent on criteria such as character, integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendation of the Nomination Committee will then be put to the Board for decision.

The Nomination Committee has fully complied with its terms of reference. During the Reporting Period, one Nomination Committee meeting was held, and the attendance of members of the Nomination Committee at the meetings is set out in the following table:

Directors	**Attended/Eligible to attend**
Mr. Chen Xiangyu *(Chairman)*	1/1
Mr. Guan Song	1/1
Ms. Yu Bin	1/1
Mr. Li Xintian	1/1
Mr. Zhang Weining	1/1

The following is a summary of the work performed by the Nomination Committee for the Reporting Period:

1. reviewed size, structure and composition of the Board and made recommendations to the Board on re-election of Directors;
2. reviewed the Board Diversity Policy;
3. reviewed the independence of the independent non-executive Directors; and
4. discussed and reviewed the Nomination Policy for Directorship.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee comprises four members, including three independent non-executive Directors, namely Ms. Yu Bin (Chairman), Mr. Li Xintian and Mr. Zhang Weining, and one executive Director, namely Mr. Jeffrey Lyndon Ko.

The principal duties of the Remuneration and Appraisal Committee include the following:

1. to make recommendations to the Board on the Company's remuneration policy and structure and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to evaluate the performance of the Directors and senior management and determine their remuneration packages (including benefits in kind, pension rights and compensation payments), with delegated responsibility;
3. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group in respect of specific positions; and
4. to review and make recommendations to the Board on the adoption and amendment of the share award scheme of the Company.

In order to strictly comply with the requirements under Chapter 17 of the Listing Rules which came into effect on January 1, 2022, the Board has made certain amendments to the terms of reference of the Remuneration and Appraisal Committee. The revised terms of reference were adopted and effective on December 29, 2022 and have been posted on the websites of the HKEX and the Company.

The Remuneration and Appraisal Committee has fully complied with its terms of reference. During the Reporting Period, one Remuneration and Appraisal Committee meeting was held, and the attendance of members of the Remuneration and Appraisal Committee at the meetings is set out in the following table:

Directors	Attended/Eligible to attend
Ms. Yu Bin *(Chairman)*	1/1
Mr. Li Xintian	1/1
Mr. Zhang Weining	1/1
Mr. Jeffrey Lyndon Ko	1/1

The following is a summary of the work performed by the Remuneration and Appraisal Committee for the Reporting Period:

1. to review the remuneration policy of the Group;
2. to review and make recommendations to the Board on the remuneration packages of the Directors and senior management; and
3. to reviewed the Pre-IPO RSU Scheme of the Company, considered the consistency between the purpose of the plan and the development objectives of the Group, and reviewed its implementation.

Strategy Committee

The Strategy Committee currently comprises eight members, including three executive Directors, namely Mr. Chen Xiangyu (Chairman), Mr. Guan Song and Mr. Jeffrey Lyndon Ko, three non-executive Directors, namely Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu, and two independent non-executive Directors, namely Mr. Zhang Weining and Mr. Mao Rui.

The principal duties of the Strategy Committee include the following:

1. Researching and making recommendations to the Board on the long-term development strategies and plans of the Company;
2. Researching and making recommendations to the Board on the major financing plans of the Company and other major strategic issues influencing the development of the Company; and
3. Reviewing the implementation of the above matters.

The Strategy Committee is responsible to the Board and shall submit its proposals to the Board for examination and decision.

The Strategy Committee has fully complied with its terms of reference. During the Reporting Period, one Strategy Committee meeting was held, and the attendance of members of the Strategy Committee at the meeting is set out in the following table:

Directors	**Attended/Eligible to attend**
Mr. Chen Xiangyu *(Chairman)*	1/1
Mr. Guan Song	1/1
Mr. Jeffrey Lyndon Ko	1/1
Mr. Ma Xiaoyi	1/1
Mr. Yao Xiaoguang	1/1
Mr. Chen Yu	1/1
Mr. Zhang Weining	1/1
Mr. Mao Rui	1/1

The following is a summary of the work performed by the Strategy Committee for the Reporting Period:

1. reviewed the implementation of the development strategies and plans of the Company for 2021; and
2. discussed the development strategies and plans of the Company for 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 for the Reporting Period.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2022 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. During the Reporting Period, the Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

For the year ended December 31, 2022, the Group recorded a net loss of approximately RMB2,590 million. As at December 31, 2022, the Group's current liabilities exceeded its current assets by approximately RMB330 million, the borrowings totally amounted to approximately RMB1,011 million and the cash and cash equivalents amounted to approximately RMB91 million. In addition, as at December 31 2022, the Group did not comply with certain financial covenant requirements of bank borrowings amounting to EUR59.8 million, which may cause the relevant bank borrowings and other borrowings amounting to approximately RMB548 million and convertible bonds amounting to HK$775 million being demanded for immediate repayment or accelerated maturity, subject to certain cross-default or accelerated repayment clauses. In addition, the holders of the above convertible bonds will have the right to require the Group to redeem all or some of the bonds on October 16, 2023. These circumstances indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have reviewed and assessed the material uncertainties which may affect the Group's ability to continue as a going concern and cash flow projections prepared by the management covering a period of at least 12 months from December 31, 2022. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity, operating performance and available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least 12 months from December 31, 2022. In addition, the Directors have considered and approved a series of relevant plans and measures formulated and implemented by the management. For details, please refer to note 1.2(c) to the consolidated financial statements. In the opinion of the Directors, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from December 31, 2022, and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The statement by the Auditor regarding their reporting responsibilities on the audited consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 80 to 87 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, with the assistance of the Audit Committee, evaluates and determines the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and continuously monitors the effectiveness of the Company's risk management and internal control systems, including but not limited to material risks related to environmental, social and governance, to safeguard the Company's assets and the interests of the Shareholders.

To ensure the effectiveness of the risk management and internal control systems, the Company has adopted the "Three Lines of Defense" for internal control, and established organization structure of risk management and internal control based on the actual facts of the Company and under the supervision and guidance of the Board.

The First Line of Defense

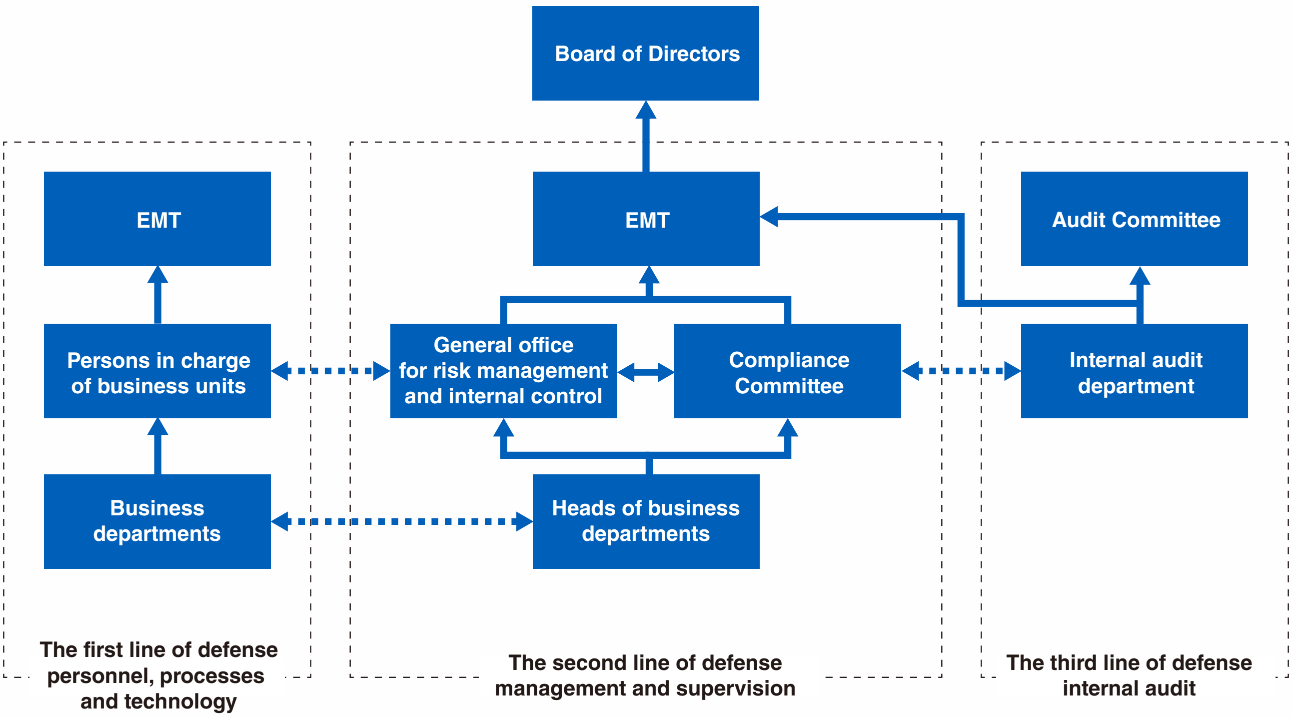
It is composed of various business units at the grassroots level of the Company, reporting to the executive management team ("**EMT**") through the person in charge. The first line of defense is responsible for the design and implementation of the relevant controls to mitigate all identified risks.

The Second Line of Defense

It comprises of heads of the business units reporting to the general office and the compliance committee (the "**Compliance Committee**") of the Company, which is ultimately supervised by EMT to ensure the effective implementation of the risk management and internal controls by the first line of defense.

The Third Line of Defense

It comprises of the internal audit department, which collects the business process information feedback from the general office and the Compliance Committee of the Company, and carries out the corresponding audit work using a risk-based approach to evaluate the effectiveness of the Company's risk management and internal control system. The internal audit department reports to the Audit Committee and EMT in a two-line and independent manner, with a high degree of independence.



The "Three Lines of Defense" model is designed to manage, but not to completely eliminate, the risks that could prevent us from achieving our business strategic objectives, and to provide a reasonable rather than absolute assurance of material misrepresentation or loss.

Through the implementation of the "Three Lines of Defense" model, the Company instills a risk management mindset in all employees by incorporating risk management and internal control elements in their daily duties to promote their risk management awareness.

The Board and the management attach great importance to the risk management and internal control system of the Company. In 2022, the Company added the heads of each business line/business department to the Compliance Committee, and strengthened the risk management and internal control system by formulating new and revising existing policies and procedures, and strengthened the management and control of business departments, including but not limited to game research and development, store operation, procurement management, technology development, etc. At the same time, the Group continues to adopt a risk-oriented audit approach to ensure that the audit scope takes into account major concerns and significant risks, and formulates and regularly follows up improvement plans for identified loopholes and weaknesses to ensure that improvement measures are implemented.

During the Reporting Period, the Board has conducted two reviews on the Company's risk management and internal control systems, covering the year ended December 31, 2021 and the six months ended June 30, 2022, respectively, and has confirmed that the Company's risk management and internal control systems are sound, effective and adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review covers key controls, including financial, operational, compliance controls, risk management and ESG-related functions.

Significant Risks

With the changes in the external environment and the development of the Company's business, through the following risk management processes, the major risks that the management is concerned about in 2022 include macroeconomic and policy regulatory risks, game product research and development risks and store business operation system improvement risks.

The Audit Committee, on behalf of the Board, monitored the overall risk profile of the Company and assessed changes in the nature and materiality of the Company's key risks. The Audit Committee considers that appropriate measures have been taken by the management to address and manage key risks to a level acceptable to the Board.

Risk Identification	Risk Assessment	Responses to Risks	Risk Reporting
Identify risks to the Group by risk categories including strategy and market, Group operations, supervision and regulations.	Understand and assess the level of risks and design questionnaires to assess the adequacy of Group policies and controls against risks to the Company.	Provide optimized suggestions for identified risks: assist business units or persons in charge to make corresponding rectifications.	Report to directors and senior management and implement relevant rectifications.

On behalf of the Board, the Audit Committee oversees the overall risk profile of the Company and assesses the changes in the nature and severity of the Company's key risks. The Audit Committee considers that appropriate measures have been taken by the management to address and manage the key risks to a level acceptable to the Board.

The following highlights the key risks currently faced by the Company and the risk responses implemented.

Macroeconomic and policy regulatory risks

In 2022, due to the impact of geopolitics and the COVID-19 pandemic, the global economic growth slowed down, and the Chinese game market was also affected to a certain extent. With the changes in the external environment, the economic situation is expected to recover in 2023. The Company needs to timely identify market economic changes, adjust market strategies and seize development opportunities. At the same time, the supervision of relevant laws and regulations in the Internet and game industry has been continuously strengthened, such as the anti-addiction regulations for minors, the real-name registration requirements for games, the age-appropriate reminder for teenagers, data security, personal privacy protection, etc. The Company's business needs to strictly comply with external regulatory requirements. However, the uncertainty of regulatory policy development may also have an impact on business operations.

The Company has formulated clear business strategies to adapt to market development and prioritize resources to ensure strategic business development. The Company has set up a professional department and engaged external professional consultants to maintain close communication with the business management and external regulatory authorities at all times. At the same time, the Company has set up a Compliance Committee comprising professionals in legal affairs and policy development to draw the attention of all departments according to the policy development direction, and appropriately adjust the business process to meet the requirements of laws and regulations. The Company also invests resources in products and implementation, compliance and internal audit to ensure compliance with regulatory compliance requirements.

Risk of game product research and development

The research and development capabilities of game products have an impact on the Company's brand and operation level. In order to promote the stable development of business strategy, the Company needs to actively develop game products, reasonably check the resources required for the research and development process, and strictly control the research and development process and progress. Professional research and development and technical teams are the top priority of game research and development. The current shortage of professionals may affect the delivery of high-quality products. Therefore, the risk of new product research and development may affect the Company's resource management and future business development.

The Company has a professional team to conduct research on the market and consumers, sort out and standardize the research and development process of new products, carry out a series of game stage tests, and make timely adjustments according to business changes. The Company's senior management participates in the major decision-making process of the introduction or research and development of new products to ensure that the new products introduced or developed can respond to market demand and meet users' expectations on the basis of reasonable resource utilization. The Company also attracts professional talents through expanding recruitment methods, supports investment in product research and development resources, and ensures product quality.

Risk of improvement of store business operation system

The Company regards the IP derivatives business as the "second growth curve", adheres to the unique model of "experience + retail", optimizes and adjusts the business scale of stores, expands the variety of pop toy products, and develops non-store channel sales, so as to achieve better economies of scale in the future. The improvement of store business operation system management is the only way for the Company to achieve standardized store operation in the future, which affects the long-term development of the Company's IP derivatives business.

The Company has established a professional team with experience in retail stores to be responsible for a series of matters such as the improvement of the store business operation system, which is gradually optimized in terms of organizational structure, system specifications, human resources management, budget cost control and product category reserve, and is subject to the unified supervision and management of the Company's senior management to ensure that the business development is in line with the Company's strategic direction.

The Board is satisfied that the Company's accounting, financial reporting and ESG performance and reporting functions have been performed by staff with appropriate qualifications and experience, and that such staff have received appropriate and adequate training and development. Based on the work report of the Audit Committee, the Board also believes that the internal audit function of the Company has been sufficient and that sufficient resources and budget have been obtained. The relevant staff have appropriate qualifications and experience, and have obtained sufficient training and development.

Internal Control of Inside Information

The Company has in place a framework to ensure proper disclosure of inside information in a manner that is compliance with the SFO. As set out by the framework, the Capital Markets Department is responsible for identifying and assessing whether a significant matter constitutes inside information, and escalates the potential inside information to the Board with recommendation on the manner in which it should be disclosed to the public pursuant to the SFO and the Listing Rules. Appropriate actions will also be taken to keep the inside information confidential until its proper disclosure.

DIVIDEND POLICY

Subject to the Cayman Companies Act and the memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**"), the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

The dividends, interests and bonuses and any other benefits and advantages in the nature of income receivable in respect of the Company's investments, and any commissions, trusteeship, agency, transfer and other fees and current receipts of the Company shall, subject to the payment thereout of the expenses of management, interest upon borrowed money and other expenses which in the opinion of the Board are of a revenue nature, constitute the profits of the Company available for distribution.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the year ended December 31, 2022 is approximately as follows:

Type of Services	**Amount** *(RMB)*
Audit services	6,500,000
Non-audit services*	296,620
Total	6,796,620

* Non-audit services refer to the compliance and consulting services related to the 2022 Environmental, Social and Governance Report of the Company and Hong Kong tax.

JOINT COMPANY SECRETARIES

Ms. Tang Xu ("**Ms. Tang**") has been appointed as a joint company secretary, and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

For the year ended December 31, 2022, in order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Leung Suet Lun ("**Ms. Leung**"), a senior manager of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary to assist Ms. Tang to discharge her duties as a company secretary of the Company. From March 30, 2022, Ms. Leung has resigned as the joint company secretary of the Company due to other work arrangements. Following the resignation of Ms. Leung as the joint company secretary, Ms. Ng Ka Man, a senior manager of TMF Hong Kong Limited has been appointed as another joint company secretary of the Company with effect from March 30, 2022 to assist Ms. Tang to discharge her duties as a company secretary of the Company. Their primary corporate contact person at the Company is Ms. Tang. For details, please refer to the announcement of the Company dated March 30, 2022.

For the year ended December 31, 2022, Ms. Tang and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

To promote effective communication with Shareholders, the Company has adopted a Shareholders' Communication Policy which is available on the Company's website. Under the policy, the Company communicates with its Shareholders in a timely and effective manner through various channels. Corporate Communications in electronic form are available at the HKExnews website of the HKEX and the Company's website at any time. In addition to regular reports, the Company also makes announcements from time to time, including voluntary announcements on business progress in response to Shareholders' concerns on business progress.

The Company regards the AGM as an important opportunity for direct communication with the Shareholders. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. The Company encourages the Shareholders attend to AGMs and other general meetings, which allow the Shareholders to communicate with the Board, and exercise their right to vote.

To safeguard the interests of the Shareholders as a whole, the Company has adopted an inside information management policy which sets out the procedures and internal control systems for the handling and dissemination of inside information. The policy provides guidelines to the Directors, senior management and all employees to ensure that inside information is not disseminated in advance and individually by adopting necessary confidentiality measures and procedures. The Company also pays close attention to the news reports on the Company in the market and clarifies false information in a timely manner.

The effectiveness of the Shareholders' Communication Policy is reviewed on a regular basis. As at the date of this report, the Board has reviewed the implementation of the Shareholders' Communication Policy for the Reporting Period and confirmed that it remains effective.

INVESTOR RELATIONS

The Company considers that effective communication with the investors is essential for enhancing investor relations and understanding the Company's business, performance and strategies. The Company also believes in timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

Investors may access the Company's corporate communications on the HKExnews website and the "Investor Relations" section of the Company's official website. In addition, the Company holds results announcement activities after the publication of annual results and interim results announcement each year. Some Directors and senior management will attend the launch event to communicate directly with shareholders and investors.

The Company has also set up an investor contact email: ir@idreamsky.com. Investors, stakeholders and the public are welcome to provide valuable advice and make enquiries.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the HKEX and the Company in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the Joint Company Secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitions(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

As regards proposing a person for election as a Director by shareholders, the procedures are available on the website of the Company.

Right of inquiry

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Joint Company Secretary of the Company whose contact details are as follows: 16/F, Unit 3, Block A, Kexing Science Park, Ke Yuan North Road, Nanshan, Shenzhen, the PRC.

Shareholders could post their enquiries about their shareholdings to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company currently adopted the Memorandum and Articles of Association which became effective on the Listing Date. During the Reporting Period, there was no change was the Memorandum and Articles of Association. In order to comply with the relevant requirements on the level of core shareholder protection as set out in Appendix III to the Listing Rules, the Board has considered and approved certain amendments to the Memorandum and Articles of Association (the "**Proposed Amendments**") at the Board meeting dated March 30, 2023. The Proposed Amendments are subject to the passing of a special resolution by the Shareholders at the forthcoming AGM in accordance with the applicable laws and regulations.

Independent Auditor's Report

To the Shareholders of iDreamSky Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of iDreamSky Technology Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 88 to 210, comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1.2(c) to the consolidated financial statements, which indicates that during the year ended December 31, 2022, the Group reported a net loss of RMB2,589,917,000. As at December 31, 2022, the Group's current liabilities exceeded its current assets by RMB329,469,000, and the Group had total borrowings amounting to RMB1,011,241,000 and convertible bonds of HKD775,000,000 (equivalent to approximately RMB692,284,000) due on October 16, 2025 (the "**2025 Convertible Bonds**"), while the Group's cash and cash equivalents amounted to RMB90,527,000. In addition, as at December 31, 2022, the Group did not comply with the financial covenant requirements of a borrowing that may cause certain borrowings and the 2025 Convertible Bonds become immediately due and payable should the lenders exercise their rights to demand immediate repayment under the agreements. Also as disclosed in Note 30, the holders of the 2025 Convertible Bonds will have the rights at holder's option, to require the Group to redeem all or some only of such holder's bonds on October 16, 2023.

These conditions, along with other matters described in Note 1.2(c), indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition — estimation of lifespan of in-game virtual items
- Recoverability of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition — estimation of lifespan of in-game virtual items Refer to notes 2.26, 4(a) and 6 to the consolidated financial statements. During the year ended December 31, 2022, the Group's revenue from game business amounted to RMB2,594,528,000, representing 94.89% of the Group's total revenues. It was mainly derived from the sales of in-game virtual items. The Group recognizes the revenue from sales of in-game virtual items ratably over the lifespan of in-game virtual items determined by management with reference to the average expected playing period of paying players ("**Player Relationship Period**") for Role-Playing Game mobile games and certain casual mobile games. We focus on this area due to the fact that management applied significant judgements in determining the Player Relationship Period. These judgements included (i) the determination of key assumptions applied in the Player Relationship Period, including historical users' consumption patterns, churn rates, reactivity on marketing activities and game life-cycle; (ii) the identification of events that may trigger changes in the expected Player Relationship Period.	Our procedures performed in relation to the estimation of lifespan of in-game virtual items included: — We obtained an understanding of management's internal control and assessment process of the estimation of the lifespan of in-game virtual items based on the expected Player Relationship Period taking into consideration of the nature of games, market practice and our industry knowledge, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. — We evaluated and tested, on a sample basis, key controls in respect of the estimation of lifespan of in-game virtual items, including management's review and approval of (i) determination of the estimated lifespan of new virtual items prior to their launches; and (ii) changes in the estimated lifespan of existing virtual items based on periodic reassessment on any indications triggering such changes. We also assessed the data generated from the Group's information system supporting the management's review, including testing the information system logic for generation of reports, and checking, on a sample basis, the monthly computation of revenue recognized on selected games based on reports generated from the Group's information system.

Key Audit Matter	How our audit addressed the Key Audit Matter
	— We assessed, with the involvement of our IT specialist, the reasonableness of the expected Player Relationship Period adopted by management by testing, on a sample basis, the reliability of the data generated from the information systems regarding the historical users' consumption patterns and checking the calculation of the churn rates. We also evaluated the consideration made by management in determining the reactivity of marketing activities and game life-cycle for expected Player Relationship Period with reference to historical operating and marketing data of the relevant games. We also assessed, on a sample basis, the historical accuracy of the management's estimation by comparing the actual Player Relationship Period for the mobile games for the current year against the original estimation of Player Relationship Period of those games in the prior years. — We understood the process for which management identified events that might trigger changes in the expected Player Relationship Period, and assessed if those changes have been reflected in management's Player Relationship Period estimation in the current year. We found that the results of our procedures performed to be materially consistent with management's supporting documentation.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers Refer to notes 2.10, 4(e), 4(f), 17 and 23 to the consolidated financial statements. As at December 31, 2022, the net book value of the Group's intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers amounted to RMB1,003,647,000 and RMB486,137,000, respectively. An impairment loss of RMB752,293,000 and RMB533,135,000, respectively, was recognized during the year ended December 31, 2022. Management exercised significant judgment in assessing the impairment of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers. In making such assessment, management considered all factors that may affect the future development and launch plans, and exercised judgment in developing its expectation for the future net cash flows from these games. We focus on auditing the impairment of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment is considered significant due to the subjectivity of significant assumptions used including the estimated revenue, distribution costs and other related expenses.	Our procedures performed in relation to the impairment assessment of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers included: — We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. — We understood and evaluated the design and operating effectiveness of the internal controls over the impairment assessment of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers, taking into consideration of the nature of games, market practice and our industry knowledge. We assessed the reasonableness of impairment indicator adopted by management. — For games already launched and operated, we evaluated the historical accuracy of impairment assessment to assess the effectiveness of management's estimation process by comparing the expected net cashflow in the prior period against the respective actual performance during the year, insuring material differences identified were already considered in the current impairment assessment. — For games which development is yet to be completed, we examined the contracts to check the validity of the purchased intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers, discussed with the management to understand their future development and launch plans.

Key Audit Matter	How our audit addressed the Key Audit Matter
	— We discussed with management to understand the basis of the estimated cash flow projections and evaluated the reasonableness of the estimated revenue, channel costs and other related expenses prepared by management on a sample basis. — We tested the mathematical accuracy of the calculations of the estimated future net cash flows of games on a sample basis. — We assessed the adequacy of the disclosures related to impairment assessment of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers in the context of IFRSs. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2023

Consolidated Statement of Comprehensive Income

		Year ended December 31,	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenues	*6*	**2,734,124**	2,637,637
Cost of revenues	*7*	**(2,312,924)**	(1,534,296)
Gross profit		**421,200**	1,103,341
Selling and marketing expenses	*7*	**(1,138,693)**	(509,687)
General and administrative expenses	*7*	**(122,455)**	(250,120)
Research and development expenses	*7*	**(322,638)**	(325,201)
Impairment losses on intangible assets	*7*	**(752,293)**	(49,673)
Net impairment losses on financial assets		**(360,928)**	(20,580)
Other income	*8*	**34,349**	53,296
Other losses, net	*9*	**(67,352)**	(14,449)
Fair value losses on financial assets at fair value through profit or loss	*21*	**(83,150)**	(3,511)
Operating loss		**(2,391,960)**	(16,584)
Finance income	*11*	**8,780**	64,383
Finance costs	*11*	**(185,261)**	(134,416)
Finance costs, net	*11*	**(176,481)**	(70,033)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss		**—**	(85,662)
Share of results of investments accounted for using the equity method	*20*	**(8,617)**	(8,901)
Loss before income tax		**(2,577,058)**	(181,180)
Income tax (expense)/credit	*12*	**(12,859)**	25,250
Loss for the year		**(2,589,917)**	(155,930)

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
— Currency translation differences		**303,748**	(93,486)
Items that may be reclassified to profit or loss			
— Currency translation differences		**(247,571)**	81,992
Total comprehensive loss for the year		**(2,533,740)**	(167,424)
Loss for the year attributable to:			
— Owners of the Company		**(2,492,293)**	(157,478)
— Non-controlling interests		**(97,624)**	1,548
		(2,589,917)	(155,930)
Total comprehensive loss attributable to:			
— Owners of the Company		**(2,436,116)**	(168,972)
— Non-controlling interests		**(97,624)**	1,548
		(2,533,740)	(167,424)
Losses per share			
— Basic losses per share (in RMB)	13	**(1.80)**	(0.13)
— Diluted losses per share (in RMB)	13	**(1.80)**	(0.13)

The notes on pages 95 to 210 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**107,943**	62,249
Intangible assets	17	**1,004,718**	1,694,129
Investment properties	16	**6,955**	31,860
Right-of-use assets	15	**185,415**	156,383
Investments accounted for using the equity method	20	**347,461**	372,185
Financial assets at fair value through profit or loss	21	**348,897**	457,507
Prepayments and other receivables	23	**91,182**	31,152
Goodwill	18	**—**	73,222
Contract assets		**—**	159
Deferred tax assets	34	**113,553**	125,572
		2,206,124	3,004,418
Current assets			
Inventories		**20,688**	11,331
Trade receivables	22	**724,932**	781,346
Amounts due from related parties	37(c)	**16,418**	5,382
Prepayments and other receivables	23	**996,668**	1,917,866
Contract assets		**—**	295
Contract costs	33	**55,405**	91,296
Financial assets at fair value through profit or loss	21	**125,857**	73,959
Restricted cash	25	**87,099**	10,246
Cash and cash equivalents	24	**90,527**	714,801
		2,117,594	3,606,522
Total assets		**4,323,718**	6,610,940
Equity attributable to owners of the Company			
Share capital, share premium and treasury shares	26	**3,291,884**	3,166,013
Reserves	27	**800,985**	744,982
(Accumulated losses)/retained earnings		**(2,472,523)**	24,055
		1,620,346	3,935,050
Non-controlling interests		**174,196**	274,192
Total equity		**1,794,542**	4,209,242

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	—	450,719
Lease liabilities	15	82,113	59,945
Convertible bonds	30	—	401,461
		82,113	912,125
Current liabilities			
Borrowings	29	1,011,241	899,711
Lease liabilities	15	34,926	19,881
Trade payables	31	443,498	112,500
Other payables and accruals	32	224,687	166,531
Current income tax liabilities		41,317	40,310
Deferred government grants		—	467
Contract liabilities	33	199,133	250,173
Convertible bonds	30	492,261	—
		2,447,063	1,489,573
Total liabilities		2,529,176	2,401,698
Total equity and liabilities		4,323,718	6,610,940

The notes on pages 95 to 210 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 88 to 210 were approved by the Board of Directors on March 30, 2023 and were signed on its behalf.

Chen Xiangyu
Director

Guan Song
Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company								
	Note	Share capital, share premium and treasury shares RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2021		2,533,966	16,100	90,688	22,313	602,582	182,622	3,448,271	267,570	3,715,841
Loss for the year		–	–	–	–	–	(157,478)	(157,478)	1,548	(155,930)
Other comprehensive loss										
— Currency translation differences	27	–	–	–	(11,494)	–	–	(11,494)	–	(11,494)
Total comprehensive loss for the year		–	–	–	(11,494)	–	(157,478)	(168,972)	1,548	(167,424)
Transactions with owners										
Profit appropriation to statutory reserves	27	–	–	1,089	–	–	(1,089)	–	–	–
Share-based compensation expenses	28	–	–	–	–	24,894	–	24,894	–	24,894
Early conversion of convertible bonds		287,968	–	–	–	–	–	287,968	–	287,968
Issuance of ordinary shares	26	349,230	–	–	–	–	–	349,230	–	349,230
Acquisition of treasury shares	26	(5,151)	–	–	–	–	–	(5,151)	–	(5,151)
Capital injection from non-controlling interests		–	–	–	–	–	–	–	5,859	5,859
Transaction with non-controlling interests		–	–	–	–	(1,190)	–	(1,190)	(785)	(1,975)
Total transactions with owners		632,047	–	1,089	–	23,704	(1,089)	655,751	5,074	660,825
Balance at December 31, 2021		3,166,013	16,100	91,777	10,819	626,286	24,055	3,935,050	274,192	4,209,242
Balance at January 1, 2022		**3,166,013**	**16,100**	**91,777**	**10,819**	**626,286**	**24,055**	**3,935,050**	**274,192**	**4,209,242**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(2,492,293)**	**(2,492,293)**	**(97,624)**	**(2,589,917)**
Other comprehensive loss										
— Currency translation differences	27	**–**	**–**	**–**	**56,177**	**–**	**–**	**56,177**	**–**	**56,177**
Total comprehensive loss for the year		**–**	**–**	**–**	**56,177**	**–**	**(2,492,293)**	**(2,436,116)**	**(97,624)**	**(2,533,740)**
Transactions with owners										
Profit appropriation to statutory reserves	27	**–**	**–**	**4,285**	**–**	**–**	**(4,285)**	**–**	**–**	**–**
Share-based compensation expenses	28	**–**	**–**	**–**	**–**	**13,637**	**–**	**13,637**	**–**	**13,637**
Issuance of ordinary shares	26	**159,062**	**–**	**–**	**–**	**–**	**–**	**159,062**	**–**	**159,062**
Acquisition of treasury shares	26	**(33,191)**	**–**	**–**	**–**	**–**	**–**	**(33,191)**	**–**	**(33,191)**
Transaction with non-controlling interests	42(c)	**–**	**–**	**–**	**–**	**(18,096)**	**–**	**(18,096)**	**(4,265)**	**(22,361)**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,893**	**1,893**
Total transactions with owners		**125,871**	**–**	**4,285**	**–**	**(4,459)**	**(4,285)**	**121,412**	**(2,372)**	**119,040**
Balance at December 31, 2022		**3,291,884**	**16,100**	**96,062**	**66,996**	**621,827**	**(2,472,523)**	**1,620,346**	**174,196**	**1,794,542**

The notes on pages 95 to 210 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	*35(a)*	**93,754**	165,733
Income taxes refunded/(paid)		**167**	(11,964)
Net cash generated from operating activities		**93,921**	153,769
Cash flows from investing activities			
Interest received from wealth management products	*8*	**—**	9
Proceeds from disposals of property, plant and equipment	*35(a)*	**495**	322
Proceeds from disposals of intangible assets	*35(a)*	**—**	21,300
Purchase of property, plant and equipment		**(31,094)**	(40,140)
Purchase/prepayment of intangible assets		**(190,793)**	(223,957)
Loans to related parties	*37(b)*	**(10,947)**	(31,401)
Repayment of loans due from related parties	*37(b)*	**231**	27,559
Loans to shareholders		**(106,579)**	—
Repayment of loans due from shareholders		**44,051**	—
Loans to third parties		**(32,641)**	(92,053)
Repayment of loans due from third parties		**45,481**	128,235
Investments in associates and joint ventures		**(14,213)**	(36,290)
Investments in financial assets at fair value through profit or loss		**(18,011)**	(10,012)
Proceeds from disposal of financial assets at fair value through profit or loss		**8,654**	58,066
Proceeds from disposal of investments in associates and joint ventures		**30,878**	7,117
Proceeds from disposal of a subsidiary	*20(a)*	**7,650**	—
Payment of land use rights		**—**	(2,510)
Payment for acquisition of a subsidiary		**(54,850)**	(81,000)
Net cash used in investing activities		**(321,688)**	(274,755)

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Capital injection by non-controlling interests		—	5,259
Proceeds from borrowings		636,700	713,000
Repayment of borrowings		(1,002,816)	(852,811)
Payments for share repurchase	*26*	(33,191)	(5,151)
Changes in restricted cash		(34,870)	41,796
Repayment of loan due to a related party		—	(2,528)
Principal elements of lease payments		(30,518)	(16,109)
Interest expenses paid		(78,164)	(112,461)
Payment for transaction with non-controlling interest	*42(c)*	(22,361)	(1,240)
Proceeds from issuance of ordinary shares	*26*	159,062	349,230
Net cash (used in)/generated from financing activities		(406,158)	118,985
Net decrease in cash and cash equivalents		(633,925)	(2,001)
Cash and cash equivalents at the beginning of the financial year		714,801	735,567
Effects of exchange rate changes on cash and cash equivalents		9,651	(18,765)
Cash and cash equivalents at the end of the year		90,527	714,801

The notes on pages 95 to 210 are an integral part of these consolidated financial statements

1 General information and basis of preparation

1.1 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, Ugland 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 consolidated financial statements for the year ended December 31, 2022 are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 30, 2023.

1.2 Basis of preparation

(a) Compliance with International Financial Reporting Standards ("IFRSs") and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs and requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

(c) Going concern basis

During the year ended December 31, 2022, the Group reported a net loss of RMB2,589,917,000. As at December 31, 2022, the Group's current liabilities exceeded its current assets by RMB329,469,000, and the Group had borrowings with total amount of RMB1,011,241,000 and convertible bonds of HKD775,000,000 (equivalent to approximately RMB692,284,000) (the "**2025 Convertible Bonds**"), while the Group's cash and cash equivalents amounted to RMB90,527,000.

As at December 31, 2022, the Group did not comply with certain financial covenant requirements of a bank borrowing with amount of EUR59,800,000 (equivalent to approximately RMB442,841,000). The non-compliance may cause the relevant bank borrowing, as well as other borrowings of RMB548,400,000 and the 2025 Convertible Bonds, subject to certain cross default or repayment acceleration clauses, become immediately due and payable should the lenders exercise their rights to demand or accelerate repayment under the relevant agreements.

In addition, as disclosed in Note 30, the holders of the 2025 Convertible Bonds (the "**CB Holders**") will have the rights at holder's option, to require the Group to redeem all or some of such holder's bonds on October 16, 2023.

The above conditions and circumstances indicated existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have carefully considered the future liquidity, the operation performance and the available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from December 31, 2022, taking into consideration the following plans and measures:

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

(c) ***Going concern basis*** (Continued)

(1) The management of the Company expects a significant improvement in its operating performance and will be able to generate operating cash inflow in 2023 because (i) most existing games have had sticky user base and will require less expenditures on advertising and promotion in future; (ii) the Group has adjusted its business strategy to focus on a limited number of games in late stage of development to better control development cost; (iii) the Group will accelerate the collection of outstanding trade and other receivables by taking measures including but not limited to legal actions and (iv) as disclosed in Note 40, subsequent to the year end, the Group has expanded its business cooperation with certain shareholder and the Group received RMB139,000,000 as prepayment of revenue sharing for certain existing games and certain new games that are expected to launch in the second half of year 2023.

(2) As mentioned above, as at December 31, 2022, the Group did not comply with certain financial covenant requirements of the bank borrowing with amount of EUR59,800,000 with maturity date on March 24, 2023. As at March 23, 2023, the Group entered a new facility agreement of EUR40,000,000 with the same bank. The Group applied the amount of EUR40,000,000 drawn down under the new facility together with EUR19,800,000 from its own financial resources to settle the original bank borrowing of EUR59,800,000 in full. According to the new facility agreement, (i) one of the financial covenant requirements in original agreement was removed, (ii) the Group will be subject to the first test of compliance with the financial covenant requirements for the six months ending June 30, 2023, and (iii) it is clarified that the failure to satisfy any financial covenant requirements for the year ended December 31, 2022 shall not result in a default or an event of default under the new facility.

(3) Based on the communication with the banks and the trustee of the CB Holders, the directors considered that the banks and the CB Holders will not exercise their rights under the cross default or repayment acceleration clauses given: (i) the Group had fully settled the borrowings of EUR59,800,000 and (ii) as mentioned in (2), the bank had clarified that the failure to satisfy any financial covenant requirements for the year ended December 31, 2022 shall not result in a default or an event of default under the new facility.

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

(c) ***Going concern basis*** (Continued)

(4) Subsequent to the year end, other than the repayment of borrowings as described in (2) above, the Group repaid other borrowings of RMB218,400,000 and obtained new bank borrowings with total amount of RMB198,400,000. Also, in addition to the unutilized facilities amounting to RMB110,000,000 as at December 31, 2022, the Group had further obtained new banking facilities of RMB236,500,000 and had drawn down a total amount RMB173,526,000 from these facilities. The directors believe the Group will be able to renew its existing banking facilities and borrowings when they fall due in 2023 as well as obtaining new bank facilities based on the Group's relationship with the banks and the historical experience of successful loan renewal with the banks.

(5) Since the 2025 Convertible Bonds still have a term of more than two years before its final maturity in October 2025 and considering the anticipated improvement in operation performance of the Group as mentioned above, the directors of the Company is confident that the CB Holders will be convinced not to exercise their redemption option on October 16, 2023.

(6) The Group will continue to monitor its compliance with the financial covenant requirements of all borrowings and facilities. Should the Group be unable to comply with the covenant requirements, the management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the lenders, if needed.

(7) As at December 31, 2022, the Group had registered quotas to issue overseas bonds with amount not exceeding USD300,000,000. The directors of the Company believes that the Group would be able to obtain funding from issuance new bonds as and when needed in the twelve months from December 31, 2022 under the prevailing rules and regulations.

The directors have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from 31 December 2022. In the opinion of the directors of the Company, in light of the above and taking into consideration the anticipated cash flows to be generated from the Group's operations as well as the abovementioned plans and measures, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from December 31, 2022. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon, inter alia,

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

(c) Going concern basis (Continued)

(i) success in implementing the plan and measures to improve the Group's operating performance and to accelerate the collection of outstanding trade and other receivables so as to generate sufficient operating cash inflows to meet with its financial obligations;

(ii) continuous compliance by the Group of the existing and revised terms and conditions of its borrowings and, where applicable, success in obtaining wavier from the lenders or to revise the terms and conditions of the borrowings for the continuous compliance thereof as and when needed, such that the existing borrowings and facilities will continue to be available to the Group and be repaid in accordance with the agreed repayment schedules;

(iii) success in renewal of the bank facilities and borrowings when they fall due and obtain new bank facilities and draw down form those available bank facilities as and when required;

(iv) successful in convincing the trustee or CB Holders not to excise the redemption options; and

(v) success in issuance of oversea bonds to raise additional funding as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 New and amended standards

(a) New and amended standards adopted by the Group

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

2 Summary of significant accounting policies (Continued)

2.1 New and amended standards (Continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		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, 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	Insurance contract	January 1, 2023
Amendments to IFRS 17, IFRS 4 and IAS 16	Extension of the Temporary Exemption from Applying IFRS 9 and Property, Plant and Equipment	January 1, 2023
Amendments to IFRS 16	Lease liability in a sales and leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(a) ***Subsidiaries*** (Continued)

The acquisition method of accounting is used to account for business combinations by the Group refer to Note 2.3.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

The operations of the Group were mainly carried out by Shenzhen iDreamSky Technology Co., Ltd. ("**Shenzhen iDreamSky**"), a limited liability company incorporated in Shenzhen, the PRC, and its subsidiaries (the "**PRC Consolidated Affiliated Entities**").

The PRC regulations restrict foreign ownership of companies that provide the operations of games through mobile apps and websites, which include activities and services operated by Shenzhen iDreamSky. In order to enable certain foreign companies to make investments into the business of the Group, Shenzhen Qianhai iDream Technology Co., Ltd. ("**Qianhai iDream**") was established by iDreamSky Holdings (HK) Limited ("**iDreamSky Holdings (HK)**") as a Wholly Foreign Owned Enterprise (the "**WFOE**").

The WFOE has entered into various agreements ("**Contractual Arrangements**") with Shenzhen iDreamSky and its registered equity holders, which enables the WFOE and the Group to:

- Exercise effective control over the PRC Consolidated Affiliated Entities;
- Exercise equity holders' voting rights of the PRC Consolidated Affiliated Entities;
- Receive substantially all of the economic interests and returns generated by the PRC Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by the WFOE, at the WFOE's discretion;

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(a) ***Subsidiaries*** (Continued)

- Obtain an irrevocable and exclusive right to purchase all equity interests in Shenzhen iDreamSky from its registered equity holders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered equity holders of Shenzhen iDreamSky shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the registered equity holders of Shenzhen iDreamSky will promptly and unconditionally transfer their respective equity interests in Shenzhen iDreamSky to WFOE (or its designee within the Group) after the WFOE exercises its purchase right;
- Obtain pledges over the entire equity interests in Shenzhen iDreamSky from its registered equity holders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the PRC Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the PRC Consolidated Affiliated Entities and has the ability to affect those returns through its power over the PRC Consolidated Affiliated Entities and is considered to control the PRC Consolidated Affiliated Entities. Consequently, the Company regards the PRC Consolidated Affiliated Entities as indirect subsidiaries under IFRSs.

(b) ***Associates***

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost in the consolidated statement of financial position.

(c) ***Joint arrangements***

Under IFRS 11, Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated statement of financial position.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests (Continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("**CEO**") who reviews consolidated results, makes strategic decisions and assesses performance of the Group.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollar ("**HKD**"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) ***Group companies*** (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

—	Land and buildings	20 years
—	Furniture and office equipment	3 years
—	Server and other equipment	3 years
—	Motor vehicles	5 years
—	Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents the direct costs of construction incurred for property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other losses, net" in the consolidated statement of comprehensive income.

2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (10% of original cost), over the estimated useful lives. The estimated useful lives of the Group's investment properties are 20 or 31 years.

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Computer software

Acquired computer software stated at historical cost less amortization. Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and are amortized on a straight-line basis over their useful lives, from 1 to 3 years.

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets (Continued)

(c) Game intellectual properties and licenses

Under certain exclusive games arrangements entered between the Group and the game developers, the Group pays upfront license fees to the game developers as the Group obtained the games developed by those game developers. The Group recognizes the upfront license fees as intangible assets. These intangible assets are amortized on a straight-line basis over the expected economic life, from 3 to 5 years. These amortization are recorded in cost of revenues (where the games are commercially launched) or general and administrative expenses (where the games are not yet commercially launched).

In some other circumstance, the Group prepaid the upfront license fees to game developers as the Group is entitled a right to operate third party developed games for certain period of time in certain countries. The Group recognizes the prepaid license fees as intangible assets upon the related games passed the external testing. The Group amortizes these intangible assets on a straight-line basis over the remaining license period from commercial launch of the related games. These amortization are recorded in cost of revenues to game player.

(d) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (i) it is technically feasible to complete the software product so that it will be available for use; (ii) management intends to complete the software product and use or sell it; (iii) there is an ability to use or sell the software product; (iv) it can be demonstrated how the software product will generate probable future economic benefits; (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (vi) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

The Group capitalizes costs relating to certain activities of developing and obtaining internally generated software that occur during the application development stage, such as external direct costs of materials and services consumed in developing or obtaining the software and costs for employees who are directly associated with and who devote time to the software project (to the extent of the time spent directly on the project). Maintenance costs related to the software are expensed as incurred. The Group does not license its internally generated software to any third parties.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives, from 1 to 2 years.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("**OCI**"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within fair value (losses)/gains on financial assets at fair value through profit or loss in the period in which it arises.

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in fair value (losses)/gains on financial assets at fair value through profit or loss in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group has types of financial assets subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Amounts due from related parties
- Other receivables (excluding prepayments)
- Restricted cash
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 22 for further details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 Summary of significant accounting policies (Continued)

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated statement of financial position.

2.16 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital (also referred to as "**treasury shares**"), for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

Shares held by restricted stock units ("**RSUs**") Holdings Entities (the companies holdings shares pursuant to the RSUs Plan on trust or on behalf of the grantees of the Company, namely Sky Investment Limited and Sky Technology Limited) are disclosed as treasury shares and deducted from contributed equity.

2 Summary of significant accounting policies (Continued)

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.20 Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortized cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortized cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognized in profit or loss.

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 the reporting period.

2.21 Contract liabilities and contract costs

Contract liabilities primarily consists of the unamortized revenue from sales of game tokens and virtual items for mobile game, provision of self-developed game license to third parties and unearned revenue from information service, where there is still an implied obligation to be provided by the Group and will be recognized as revenue when all of the revenue recognition criteria are met.

Contract costs primarily consist of the unamortized commission charges by distribution and payments channels and will be recognized as cost of revenues through amortization over the average expected playing period of the paying players ("**Player Relationship Period**"), which is consistent with the pattern of recognition of the associated revenue.

2 Summary of significant accounting policies (Continued)

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 Summary of significant accounting policies (Continued)

2.22 Current and deferred income tax (Continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.23 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) *Pension obligations*

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expenses as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(c) *Bonus plans*

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies (Continued)

2.24 Share-based payments

Equity-settled share-based payment transactions

The Group operates several equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (Continued)

2.25 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.26 Revenue recognition

Revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Game distribution revenue

The Group is a publisher of mobile games developed by third party game developers or its own. The Group licenses mobile games from game developers and earns game publishing service revenue by making a localized version of the licensed games and publishing them to the game players through distribution channels, including various mobile application stores and software websites, as well as other game publishers with cooperation relationship with the Group (collectively referred to as "**Distribution Channels**"), including the Group's websites. Through the Distribution Channels, game players can download the mobile games to their mobile devices. The mobile games published by the Group which are operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as "Payment Channels", Distribution Channels and Payment Channels collectively referred to as "**Platforms**").

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Game distribution revenue (Continued)

(a) Casual mobile games

For casual mobile games, game players play the games on their own. The majority of casual mobile games are match-three puzzle games, endless running games and casual competition games that the game players play on their own. Upon the completion of download and installation of the games to the game players' mobile devices, all functionalities of the games have been fully delivered to the devices. Players can then play the games on their device without real time connection to the internet. At game players' discretion, in-game virtual items may be purchased to enhance game players' game experience. The fulfilment of in-game purchase requires connection to the mobile carriers' network or internet connection to the servers of Payment Channels at the time of purchase. Once the game players confirm their purchase requests, the Payment Channels send an "unlock code" to the device of the game players and then the purchased virtual items are automatically unlocked in the downloaded game. Therefore, future play and use of the purchased features do not require ongoing online connectivity or involvement of the Group and game servers are not necessary for game players to play the game or utilize the purchased in-game features or items. The Group does not have a practice or history of replacing lost games or data of offline mobile games for game players. However, starting from 2017, the Group also encourages the game player to register a game account for same casual games, and for those registered game players, the Group provides the additional services to store the in-game user information (including game playing contents and player's in-game purchase data) in the severs and will replace lost game and user data for those game players in certain circumstance.

(b) Role-Playing Game ("RPG") mobile games

For RPG mobile games, game players interact with other online players to collaborate or to compete among themselves to complete certain tasks of the games within a virtual social environment. The majority of RPG mobile games are role-playing games that the game players play with other online players. Playing the online mobile games requires real time internet connection to game servers, where all in-game user information is stored, including game playing contents and player's in-game purchase data. The game application downloaded on game players' device is similar to a portal to access the online game servers which are hosted by the game developers. Game players may purchase in-game virtual items or features via the payment channels to enhance their game-playing experience similar to offline mobile games.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Game distribution revenue (Continued)

(c) Principal Agent Consideration

(i) Third party licensed mobile games

Proceeds earned from selling in-game virtual items, in both of the licensed casual and RPG mobile games, are shared between the Group and the game developers, with the amount paid to the developers generally calculated based on amounts paid by players, after deducting the fees paid to the Payment Channels and the Distribution Channels including the credit allowable for deduction for games that were downloaded through the Group's owned platforms, multiplied by a predetermined percentage for each game.

The Group evaluates agreements with the game developers, Distribution Channels and Payment Channels in order to determine whether or not the Group acts as the principal or as an agent in the arrangement with each party respectively, which it considers in determining if relevant revenues should be reported gross or net of the predetermined amount of the proceeds shared with the other parties. The determination of whether to record the revenues gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product and service specifications. The assessment is performed for all of the Group's licensed mobile games.

The Group acts as Agent

With respect to certain of the Group's game license arrangements entered during the reporting period, the Group considered that the (i) game developers are responsible for providing the game products desired by the game players; (ii) the costs incurred by the developers to develop the games are more than the licensing costs and game localizations costs incurred by the Group; (iii) the hosting and maintenance of game servers for running the online mobile games is the responsibility of the developers, (iv and v) the developers have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by the Group. The Group's responsibilities are publishing, providing payment solution and market promotion service, and thus the Group views the game developers to be its customers and considers itself as the agent of the game developers in the arrangements with game players. Accordingly, the Group records the game publishing service revenue from these licensed games, net of amounts paid to the game developers.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Game distribution revenue (Continued)

(c) Principal Agent Consideration (Continued)

(i) Third party licensed mobile games (Continued)

The Group acts as Agent (Continued)

As the Group is responsible for identifying, contracting with and maintaining the relationships of the distribution and payment channels, commission fees paid to the Distribution Channels and Payment Channels are included in cost of revenues and presented on a gross basis. The Group considers it is the primary obligor to the game developers for the reasons identified above as it has been given latitude by the game developers in selecting distribution and payment channels for its service to the game developers.

The Group acts as Principal

With respect to certain of the Group's game license arrangements entered during the reporting period, there are same game license arrangements under which the Group takes primary responsibilities of game operation, including determining distribution and payment channels, providing customer services, hosting game servers, if needed, and controlling game and services specifications and pricing. Under this type of game license arrangement, the Group considered itself as a principal in these arrangements. Accordingly, the Group records the mobile games revenues from these third party licensed games on a gross basis. Commission fees paid to Distribution Channels and Payment Channels and content fees paid to third party game developers are recorded as cost of revenues.

(ii) Self-developed and acquired mobile games

During the reporting period, the Group has been self-developing mobile games and acquiring mobile games from game developers. Game revenues derived from self-developed and acquired mobile games are recorded on a gross basis as the Group acts as a principal to fulfill most obligations related to the mobile game operation. Commission fees paid to Distribution Channels and Payment Channels are recorded as cost of revenues.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Game distribution revenue (Continued)

(d) Timing of revenue recognition

(i) Casual mobile games

For the casual mobile games, the Group does not provide the restore and replacement services, the Group has determined that all revenue recognition criteria are met upon players' confirmation of the purchase request and the unlocking of the purchased virtual items. This is because the service fee earned by the Group from the developers is fixed or determinable, the fee is considered collectible and the performance by the Group has occurred once the game players purchase virtual items. The Group has no additional performance obligations to the game developers or game players in order to earn the service fee upon the completion of the corresponding in-game purchases. Therefore, the Group recognizes revenue from providing services to casual mobile game developers upon the purchase of in-game virtual items by the game players for this type of arrangements.

For the casual mobile games the Group provides the restore, replacement, and other similar services to RPG mobile games and the Group recognized the revenue ratably over the Player Relationship Period (see below).

(ii) RPG mobile games

As the Group is acting as an agent in selling the RPG mobile games to game players, the Group has determined that all revenue recognition criteria are met upon players' confirmation of the purchase request although the utilization of the purchased virtual items require connection to the game servers. The fact that the operation of these mobile games requires hosting and maintenance of online game servers would not affect the timing of revenue recognition by the Group because those obligations are the responsibilities of the game developers as the primary obligor. Therefore, the Group recognizes revenues from providing services to RPG mobile game developers upon the purchase of in-game virtual items by the game players as the Group has no further obligations to the game developers in order to earn the service fee upon the completion of the corresponding in-game purchases.

For RPG mobile games where the Group is acting as a principal, the Group has determined that it is obligated to provide on-going services to the game players who purchased virtual items to gain an enhanced game-playing experience over the Player Relationship Period, and accordingly, the Group recognizes the revenues ratably over the Player Relationship Period of these paying players, starting from the point in time when virtual items are delivered to the players' accounts, and all other revenues recognition criteria are met.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Game distribution revenue (Continued)

(d) Timing of revenue recognition (Continued)

(ii) RPG mobile games (Continued)

As the RPG games are under a free-to-play model and revenue is generated from game paying players when they purchase game points for in-game virtual items, the Group focuses on the Player Relationship Period when estimating the period over which revenue is being recognized. The Group tracks each of the paying players' purchases and log in history for each significant game to estimate the Player Relationship Period, which is the Player Relationship Period of all paying players between the first time the players charge game points into their accounts and the last log in. If a new game is launched and only a limited period of paying player data is available, then the Group considers other qualitative factors, such as the playing patterns for paying users for other games with similar characteristics.

For the year ended December 31, 2022 and 2021, the Player Relationship Period is based on games that have sufficient historical operating data on a sample basis, respectively. The same Player Relationship Period was applied to the other games due to the lack of sufficient historical operating data, as well as the similarity in game characteristics and playing patterns of paying players, such as targeted players and purchasing frequency. While the Group believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future as the games' operation periods change, sufficient individual game data become available, or there is indication that the similarities in characteristics and playing patterns of paying players of the games change. Any adjustments arising from changes in Player Relationship Period would be applied prospectively on the basis that such changes are caused by new information indicating a change in game player behavior patterns. Any changes in the Group's Player Relationship Period may result in revenues being recognized on a basis different from prior periods' and may cause its operating results to fluctuate.

The Group also hosted and maintained certain servers to collect and analyze data relating to user location, type and number of games downloaded, playing frequency and time and purchasing habits of the users of casual and RPG games. However, the hosting and maintaining of these servers for internal data analysis does not affect the timing of revenue recognition by the Group.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Game development and co-operation revenue

Revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

The Group engaged in provision of mobile games development services and game co-operation services including on-going updates of new contents and maintenance services under fixed price contracts and variable price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected costs. If the consideration is variable, the Group estimates the amount of consideration to which it will be entitled in exchange for the promised goods or services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Some contracts include multiple deliverables, such as game development services and game co-operation services. Therefore they are separated and accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on their stand-alone fair value. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

If the services rendered by the Group exceed the customers' payment, a contract asset is recognized. If the customers' payments exceed the services rendered, a contract liability is recognized.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

Information service revenue

Information service revenue mainly represents revenue generated from information services, primarily revenue for advertising business, which mainly comprise revenues derived from performance based, display based advertisement.

Revenue from performance based advertisements is recognized based on actual performance measurement. The Group recognizes the revenue from the delivery of pay-for click, pay-for download or pay-for instant display advertisements for advertisers to users of the Group based on the relevant performance measures.

Revenue from displaying advertisements is recognized ratably over the respective contract periods with the advertisers and their advertising agencies, when the related advertisements are displayed.

IP derivatives revenue

Revenue from the IP derivatives business is primarily derived from game console experience and retail, game and cultural IP-themed sales of trendy products. The Group recognizes these revenues when the respective services are rendered or the goods and services are enjoyed by the users, or when the control of the products are transferred to customers.

2.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Summary of significant accounting policies (Continued)

2.27 Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.29 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on performance, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on performance, which are not included in the lease liability until they take effect. When adjustments to lease payments based on performance take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of significant accounting policies (Continued)

2.29 Leases (Continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.30 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 Summary of significant accounting policies (Continued)

2.31 Government grants/subsidies

Grants/subsidies from government are recognized at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment, and other non-current assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.32 Dividend distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB and the subsidiaries operate in oversea is United States dollar ("**USD**"). The Group manages its foreign exchange risk by performing regular reviews of the 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.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets in foreign currencies, primarily with respect USD in transactions with certain oversea platforms. For the years ended December 31, 2022 and 2021, if USD had strengthened/weakened by 10% against RMB with all other variables held constant, post-tax loss for the years ended December 31, 2022 and 2021 would have been RMB9,382,000 and RMB2,718,000 lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated receivables and cash and cash equivalents.

The Group's certain oversea subsidiaries are exposed to foreign exchange risk from the convertible bonds denominated in HKD whereas their functional currency is USD. Since HKD and USD are pegged under Hong Kong linked exchange rate system, the actual exchange rate fluctuation between HKD and USD during the year ended December 31, 2022 was immaterial.

The Company exposed to foreign exchange risk arising from the borrowings denominated in Euro ("**EUR**") whereas their functional currency is HKD. For the years ended December 31, 2022, if EUR had strengthened/weakened by 10% (2021: 10%) against HKD with all other variables held constant, post-tax loss for the years ended December 31, 2022 would have been RMB44,284,000 (2021: RMB55,893,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of EUR-denominated borrowings.

The Group does not hedge against any fluctuation in foreign currencies during the year ended December 31, 2022 and 2021.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and loans to third parties, details of which have been disclosed in Note 24, 25 and 23 respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 29. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at December 31, 2022 and 2021, borrowings of the Group which were bearing at floating rates amounted to approximately, RMB410,000,000 and RMB791,500,000 respectively. As at December 31, 2022 and 2021, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended December 31, 2022 and 2021 would has been approximately RMB2,050,000 and RMB3,362,000 higher/lower.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents (including restricted cash) placed with banks, trade receivables and contract assets, amounts due from related parties and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, the Group only makes transactions with state-owned banks and reputable financial institutions in the PRC and reputable international banks and financial institutions outside of the PRC. There has been no recent history of default in relation to these banks and financial institutions. The expected credit loss is minimum.

(ii) Credit risk of trade receivables and contract assets

Trade receivables at the end of each reporting period were due from the third party payment channels and mobile carriers, third party distribution channels partners, online advertising customers and agencies in cooperation with the Group, as well as due from related parties (collectively "**Customers**"). If the strategic relationship with the Customers are terminated or scaled-back; or if the Customers alter the co-operative arrangements; or if the Customers experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Customers to ensure the effective credit control. In view of the history of cooperation with the Customers and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivables balances due from the Customers is low. The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables (Note 22).

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

(iii) Credit risk of amounts due from related parties

The amounts due from related parties is non-trade in nature. As at December 31, 2022, the Group applied the expected credit loss rate at 0.73% for stage 1 to estimate the impairment provision for the amount due from related parties (2021: 2.06%). Movements in the provision for impairment of amount due from related parties as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**113**	21
Provision for impairment	**7**	92
At the end of the year	**120**	113

(iv) Credit risk of other receivables

Other receivables at the end of each reporting period were mainly loans to employees, loans to third parties, loans to shareholders and rental and other deposits. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party borrower;
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of the borrower;
- the employment relationship with the employee borrower.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded (i) within 60 days of when they fall due; (ii) because of insolvency.

Other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 120 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Management makes periodic collective assessments on the recoverability of other receivables based on historical settlement records and past experience. The Group uses three stages for other receivables which reflect their credit risk and how the credit loss provision is determined for each of those categories.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (Continued)

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers the historical loss rates for third parties and employees, and adjusts for forward-looking macroeconomic data. The Group provided for credit losses against other receivables as follows:

			As at December 31, 2022	
Other receivables	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross amount at default *RMB'000*	Carrying amount (net of impairment provision) *RMB'000*
Rental and other deposits-performing	0.92%	12 months expected losses	12,258	12,145
Loans to shareholders-performing	0.91%	12 months expected losses	86,157	85,373
Loans to employees-performing	0.48%	12 months expected losses	1,879	1,870
Loans to third parties-performing	1.03%	12 months expected losses	47,943	47,449
Others-performing	0.47%	12 months expected losses	8,532	8,492
Loans to third parties-underperforming	100.00%	Life time expected losses	190,148	—
Others-underperforming	100.00%	Life time expected losses	12,135	—
			359,052	155,329

			As at December 31, 2021	
Other receivables	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross amount at default *RMB'000*	Carrying amount (net of impairment provision) *RMB'000*
Rental and other deposits-performing	1.58%	12 months expected losses	8,206	8,076
Loans to employees-performing	0.59%	12 months expected losses	6,449	6,411
Loans to third parties-performing	1.40%	12 months expected losses	225,589	222,431
Others-performing	1.40%	12 months expected losses	39,871	39,314
Loans to third parties-underperforming	100.00%	Life time expected losses	6,900	—
			287,015	276,232

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (Continued)

Movements in the provision for impairment of other receivables as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**10,783**	6,540
Provision for impairment	**193,022**	14,034
Written off during the year	**(5,901)**	(9,772)
Disposal of a subsidiary	**(186)**	(19)
Currency translation differences	**6,005**	—
At the end of the year	**203,723**	10,783

(c) Liquidity risk

Management of the Group aims to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents. As disclosed in Note 29 and Note 30, non-current bank borrowings of RMB40,000,000, current bank borrowings of RMB971,241,000 and 2025 Convertible Bonds of RMB492,261,000 may become immediately due and payable in 2023 because of the cross default, redemption option and repayment acceleration clause.

As described in Note 1.2(c), in the opinion of the directors of the Company, in light of the above and taking into consideration the anticipated cash flows to be generated from the Group's operations as well as the abovementioned plans and measures, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from December 31, 2022.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Above 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
As at December 31, 2022						
Borrowings	1,020,781	—	—	—	1,020,781	1,011,241
Trade payables	443,498	—	—	—	443,498	443,498
Convertible bonds *(Note 30)*	713,918	—	—	—	713,918	492,261
Lease liabilities	40,084	40,516	47,240	553	128,393	117,039
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	90,027	—	—	—	90,027	90,027
Total	2,308,308	40,516	47,240	553	2,396,617	2,154,066
As at December 31, 2021						
Borrowings	926,959	459,178	—	—	1,386,137	1,350,430
Trade payables	112,500	—	—	—	112,500	112,500
Convertible bonds *(Note 30)*	19,801	19,801	673,243	—	712,845	401,461
Lease liabilities	23,409	22,405	41,927	258	87,999	79,826
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	85,214	—	—	—	85,214	85,214
Total	1,167,883	501,384	715,170	258	2,384,695	2,029,431

3. Financial risk management (Continued)

3.2 Capital managements

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

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

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, lease liabilities, interest payable and convertible bonds less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As at December 31, 2022 and 2021, the gearing ratio of the Group is 80.49% and 26.30% respectively.

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2022 and 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2022 and 2021.

As at December 31, 2022	***Note***	**Level 1** ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Financial assets at fair value through profit or loss	21	**125,857**	**—**	**348,897**	**474,754**

As at December 31, 2021	*Note*	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	21	73,959	—	457,507	531,466

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

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

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

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques to determine fair value

Specific valuation techniques used to value financial instruments include:

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

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets for the year ended December 31, 2022 and 2021:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**457,507**	374,769
Additions	**13,389**	126,012
Disposals	**(212)**	(45,126)
Changes in fair value recognized in profit or loss	**(128,060)**	4,776
Transfers from level 3 to level 1 *(Note 21)*	**(4,000)**	—
Currency translation differences	**10,273**	(2,924)
At the end of the year	**348,897**	457,507
Changes in unrealized (losses)/gains for the year included in profit or loss at the end of the year	**(128,060)**	4,776

(d) Valuation processes of the Group (level 3)

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

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(d) *Valuation processes of the Group (level 3)* (Continued)

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach, comparable transactions approach, and other option pricing models, etc. Major assumptions used in the valuation include historical financial results, assumptions about terminal growth rate, estimates of weighted average cost of capital ("**WACC**"), price-to-sale ratio, and other exposure, etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of financial assets at fair value through profit or loss.

Key unobservable inputs At December 31, 2022	Range of inputs at December 31, 2022	Change	Fair value change as at December 31, 2022 *RMB'000*
WACC	17.00%–25.70%	+5.00%	(5,455)
	17.00%–25.70%	-5.00%	11,643
Terminal growth rate	2.50%–3.00%	+5.00%	122
	2.50%–3.00%	-5.00%	712
Price-to-sale ratio	1.93–6.34	+5.00%	542
	1.93–6.34	-5.00%	(542)
Volatility	44.15%–44.40%	+5.00%	(2,522)
	44.15%–44.40%	-5.00%	2,522
Risk free rate	3.92%–4.12%	+5.00%	(485)
	3.92%–4.12%	-5.00%	1,455

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(d) Valuation processes of the Group (level 3) (Continued)

Key unobservable inputs At December 31, 2021	Range of inputs at December 31, 2021	Change	Fair value change as at December 31, 2021 *RMB'000*
WACC	19.40%–25.70%	+5.00%	(1,394)
	19.40%–25.70%	-5.00%	1,557
Terminal growth rate	3.00%	+5.00%	92
	3.00%	-5.00%	(100)
Price-to-sale ratio	2.40–7.24	+5.00%	366
	2.40–7.24	-5.00%	(367)

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of Player Relationship Period in the Group's game development and game publishing services

As described in Note 2.26, the Group recognizes the revenues ratably over the estimated average Player Relationship Period for RPG mobile games and certain casual mobile games where the Group acts as Principal. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

(b) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on a semi-annual basis. For the year ended December 31, 2022 and 2021, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use 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 in Note 18. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of reasonably possible changes in key assumptions are disclosed in Note 18.

(c) Fair value measurement of financial assets at fair value through profit or loss

The fair value assessment of financial assets at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. The Group monitors its investments for their fair value assessment by considering factors including, but not limited to, current economic and market conditions, recent fund raising transactions undertaken by the investees, the operating performance of the investees including current earnings trends and other company-specific information.

4 Critical accounting estimates and judgements (Continued)

(d) Revenue recognition

Pursuant to game publishing and operation arrangements signed between the Group and the third party game developers or Platforms, the Group's responsibilities in publishing and operating the licensed or commissioned-developed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor to the game developers and game players in the arrangements; (ii) has latitude in establishing the selling price of virtual items; (iii) changes the products or performs part of the services; (iv) has involvement in the determination of product and service specifications; and (v) has the rights to determine secondary Platform.

(e) Recoverability of game intellectual properties and licenses

The Group tests whether game intellectual properties and licenses suffered any impairment every six months and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Judgement is required to identify any impairment indicators existing for any of the Group's game intellectual properties and licenses, i.e. the remaining period of licensed games, the performance of those launched games, the development and launch plans for certain type of games and etc. If there is a significant adverse change in the games' performance, it may be necessary to take additional impairment charge to the consolidated statements of comprehensive income.

(f) Recoverability of prepaid revenue sharing to content providers

Under game licensing contracts with content providers, the Group generally prepaid revenue sharing to content providers for the services to be rendered by the content providers when the Group operates the third party developed games for certain period of time in certain countries/regions. Those prepaid revenue sharing are prepaid to exchange services to be rendered by the content providers to the Group during the contractual period, which is recorded in prepayment when the Group made cash payment to the content providers. Such prepayment are recognized as "cost of revenues" at the same pattern of game revenue recognized during the contractual period when the Group received related service. If the unearned prepaid revenue sharing to content providers can not be fully recovered by the game revenue to be generated in the remaining contractual period, the Group will recognize impairment loss against the carrying amount of such prepayment.

(g) Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

4 Critical accounting estimates and judgements (Continued)

(g) Income taxes (Continued)

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(h) Expected credit loss for receivables

The impairment provisions for trade receivables, amounts due from related parties, other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b) and Note 22. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income/loss.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the CEO, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. Since 2021, the CEO of the Group considered that the Group's operations are operated and managed on below 2 reportable segments and comparative segment information has been restated to align with the presentation of the current period's segment information disclosure.

Game and information services

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

5 Segment information (Continued)

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, research and development expenses and impairment losses on intangible assets but excluding some unallocated portions) of each operating segment. Thus, segment result 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 revenue is 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 year ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		
	Game and information services RMB'000	IP derivatives business RMB'000	Total RMB'000
Revenues	2,594,528	139,596	2,734,124
Cost of revenues	(2,194,068)	(118,856)	(2,312,924)
Gross profit	400,460	20,740	421,200
Gross margin	15.43%	14.86%	15.41%
Segment results	(1,736,129)	(71,162)	(1,807,291)
Reconciliation:			
Unallocated operating expenses			(107,588)
Net impairment losses on financial assets			(360,928)
Other income			34,349
Other losses, net			(67,352)
Fair value losses on financial assets at fair value through profit or loss			(83,150)
Finance income			8,780
Finance costs			(185,261)
Share of results of investments accounted for using the equity method			(8,617)
Loss before income tax			(2,577,058)

5 Segment information (Continued)

	Year ended December 31, 2021		
	Game and information services *RMB'000*	IP derivatives business *RMB'000*	Total *RMB'000*
Revenues	2,601,076	36,561	2,637,637
Cost of revenues	(1,512,157)	(22,139)	(1,534,296)
Gross profit	1,088,919	14,422	1,103,341
Gross margin	41.86%	39.45%	41.83%
Segment results	95,603	(32,223)	63,380
Reconciliation:			
Unallocated operating expenses			(94,720)
Net impairment losses on financial assets			(20,580)
Other income			53,296
Other losses, net			(14,449)
Fair value losses on financial assets at fair value through profit or loss			(3,511)
Finance income			64,383
Finance costs			(134,416)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss			(85,662)
Share of results of investments accounted for using the equity method			(8,901)
Loss before income tax			(181,180)

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.

6 Revenues

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Game and information services revenues		
Game revenue	**2,531,285**	2,297,930
Information service revenue	**48,956**	290,426
Others	**14,287**	12,720
IP derivatives revenues	**139,596**	36,561
	2,734,124	2,637,637

The timing of revenues recognition by category is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At a point in time	**1,196,027**	811,868
Over time	**1,538,097**	1,825,769
	2,734,124	2,637,637

There are two kinds of unsatisfied performance obligations as at December 31, 2022 and 2021.

One is the sales of game tokens and virtual items where there is still an implied obligation to be provided by the Group. The Group has determined that it is obligated to provide on-going services to the game players over the Player Relationship Period of the paying players. The amount of such unsatisfied performance obligations had been reflected in contract liabilities as at the end of the year.

The other one is the mobile game development services and game cooperation services including on-going updates of new contents and maintenance service under variable price contracts, such as based on the pre-agreed percentage of the net billing of the game. The amount can not be estimated under such variable price contracts.

Contract liability will be recognize as revenues ratably over the Player Relationship Period of these paying players, starting from the point in time when virtual items are delivered to the players' accounts, and all other revenues recognition criteria are met.

7 Expenses by nature

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Promotion and advertising expenses	**1,056,654**	477,141
Channel costs	**955,847**	966,559
Impairment provisions for intangible assets *(Note 17)*	**752,293**	49,673
Impairment provisions for prepayments *(Note 23)*	**533,135**	57,492
Employee benefit expenses *(Note 10)*	**412,944**	326,798
Revenue share to content providers	**392,881**	298,100
Amortization of intangible assets *(Note 17)*	**211,366**	207,247
Cost of goods	**114,227**	20,445
Technical and development services fee in relation to game development and others	**78,902**	123,567
Cloud computing, bandwidth and server custody fees	**37,626**	31,172
Depreciation of right-of-use assets *(Note 15)*	**30,573**	17,798
Professional service fees	**18,321**	29,576
Travelling and entertainment expenses	**10,857**	18,103
Short-term rental and utilities expenses	**8,616**	6,956
Depreciation of property, plant and equipment *(Note 14)*	**8,460**	7,076
Auditor's remuneration		
— Audit services	**6,500**	5,600
— Non-audit services	**297**	296
Others	**19,504**	25,378
Total cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and impairment losses on intangible assets	**4,649,003**	2,668,977

During the year ended December 31, 2022, certain game intellectual properties and licenses were fully impaired and impairment losses of RMB752,293,000 (2021: RMB49,673,000) was charged to the consolidated statement of comprehensive income. Since the impairment losses are material to the Group, "Impairment losses on intangible assets" was disclosed separately in consolidated statement of comprehensive income.

During the year ended December 31, 2022, the impairment loss of prepayments have been disclosed in the Cost of revenue under IFRS 15, while in 2021 management included it in General and administrative expenses in the amount of approximately RMB51,858,000. As this amount represents less than 5% of both Cost of revenue and Gross profit in 2021 and does not affect Net loss, management did not reclassify it into Cost of revenue.

8 Other income

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Government grants *(a)*	**18,680**	38,013
Additional deduction of value-added tax *(b)*	**15,634**	13,913
Rental income *(Note 16(a))*	**35**	1,361
Interest income from wealth management products	**—**	9
	34,349	53,296

(a) Government grants represented various subsidies granted by and received from local government authorities in the PRC. Government grants related to assets are mainly subsidies for funding of internet/game platform development. Government grants related to costs are subsidies for funding the Group's internet related research expenditures.

(b) Pursuant to the "Announcement on Relevant Policies for Deepening the Value-added Tax Reform" (Cai Shui Haiguan [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in March 2019, certain subsidiaries of the Group are qualified for additional 10% deduction of value-added tax ("**VAT**") from output VAT from April 1, 2019 to December 31, 2022.

9 Other losses, net

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Goodwill impairment *(Note 18)*	**73,222**	—
Impairment of investments in associates *(Note 20(a))*	**7,917**	20,719
Gains on disposal of financial assets at fair value through profit or loss	**(117)**	(1,608)
Net losses on disposal of intangible assets	**—**	1,887
Net losses on disposal of property, plant and equipment	**1,243**	4,835
Losses/(gains) on disposal of investments in associates and joint venture *(Note 20)*	**7,188**	(6,526)
Gains on disposal of subsidiaries *(Note 20(a)) (Note 42(c))*	**(23,540)**	(2,828)
Gains on disposals of right-of-use assets	**(116)**	(1,916)
Donation	**1,294**	2,396
Others	**261**	(2,510)
	67,352	14,449

10 Employee benefit expenses

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Basic wages and salaries	**242,027**	224,613
Bonuses	**81,627**	34,544
Pension costs — defined contribution plans *(a)*	**37,377**	26,584
Share-based compensation expenses *(Note 28)*	**13,637**	24,894
Other social security costs, housing benefits and other employee benefit expenses	**38,276**	16,163
	412,944	326,798

(a) Pension costs — defined contribution plans

Employees of the Group companies in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employee's salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As at December 31, 2022 and 2021, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

10 Employee benefit expenses (Continued)

(b) Directors' and Chief Executive's emoluments

The remuneration of every director and the CEO for the year ended December 31, 2022 is set out below:

Name	Fees	Salaries	Share-based compensation	Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Chen Xiangyu (CEO)	—	1,021	—	51	1,072
Mr. Jeffrey Lyndon Ko	—	1,309	—	269	1,578
Mr. Guan Song	—	997	—	51	1,048
	—	3,327	—	371	3,698
Independent non-executive Directors					
Ms. Yu Bin	200	—	—	—	200
Mr. Zhang Weining	200	—	—	—	200
Mr. Li Xintian	200	—	—	—	200
Mr. Mao Rui	200	—	—	—	200
	800	—	—	—	800
Non-executive Directors					
Mr. Ma Xiaoyi	—	—	—	—	—
Mr. Zhang Han	—	—	—	—	—
Mr. Yao Xiaoguang	—	—	—	—	—
Mr. Chen Yu	—	—	—	—	—
	—	—	—	—	—
Total	800	3,327	—	371	4,498

10 Employee benefit expenses (Continued)

(b) Directors' and Chief Executive's emoluments (Continued)

The remuneration of every director and the CEO for the year ended December 31, 2021 is set out below:

Name	Fees	Salaries	Share-based compensation	Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Chen Xiangyu (CEO)	—	1,020	—	41	1,061
Mr. Jeffrey Lyndon Ko	—	1,179	—	27	1,206
Mr. Guan Song	—	996	—	41	1,037
	—	3,195	—	109	3,304
Independent non-executive Directors					
Ms. Yu Bin	200	—	—	—	200
Mr. Zhang Weining	200	—	—	—	200
Mr. Li Xintian	200	—	—	—	200
Mr. Mao Rui	200	—	—	—	200
	800	—	—	—	800
Non-executive Directors					
Mr. Ma Xiaoyi	—	—	—	—	—
Mr. Zhang Han	—	—	—	—	—
Mr. Yao Xiaoguang	—	—	—	—	—
Mr. Chen Yu	—	—	—	—	—
	—	—	—	—	—
Total	800	3,195	—	109	4,104

10 Employee benefit expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the year ended December 31, 2022 include one director (2021: Nil) whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments for the remaining four individuals (2021: five) during the year are set out below:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**7,075**	9,825
Pension costs — defined contribution plan, other social security costs, housing benefits, and other employee benefits	**267**	282
Share-based compensation expenses	**1,476**	2,850
	8,818	12,957

The emoluments of those individuals fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2022	2021
HKD1,500,001 to HKD2,000,000	**1**	—
HKD2,000,001 to HKD2,500,000	**1**	2
HKD2,500,001 to HKD3,000,000	**1**	1
HKD3,000,001 to HKD3,500,000	**1**	—
HKD4,000,001 to HKD4,500,000	**—**	2
	4	5

11 Finance costs, net

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Finance costs:		
— Interest expense on bank borrowings	**59,385**	71,038
— Exchange losses, net	**52,445**	—
— Interest expense on convertible bonds *(Note 30)*	**70,284**	62,676
— Interest expense on lease liabilities *(Note 15(b))*	**5,249**	2,240
— Interest capitalized	**(2,102)**	(1,538)
	185,261	134,416
Finance income:		
— Interest income on bank deposits	**(8,780)**	(5,236)
— Exchange gains, net	**—**	(59,147)
	(8,780)	(64,383)
Finance costs, net	**176,481**	70,033

12 Income tax expense/(credit)

The income tax expense/(credit) of the Group for the year ended December 31, 2022 and 2021 is analyzed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current income tax	**840**	21,751
Deferred income tax	**12,019**	(47,001)
Income tax expense/(credit)	**12,859**	(25,250)

12 Income tax expense/(credit) (Continued)

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	**(2,577,058)**	(181,180)
Tax calculated at 25%	**(644,265)**	(45,295)
Tax effects of:		
— Preferential income tax rates applicable to subsidiaries on PRC *(c)*	**201,236**	(5,451)
— Effects of different tax rate *(a) (b)*	**81,020**	48,480
— Income not subject to tax	**(238)**	(23)
— Tax losses and temporary differences for which no deferred income tax asset was recognized	**422,588**	14,123
— Expenses not deductible for income tax purposes	**4,123**	34
— Super deduction for research and development expenses *(c)*	**(51,605)**	(37,118)
Income tax expense/(credit)	**12,859**	(25,250)

(a) Cayman Islands corporate income tax

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

(b) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%.

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

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

Shenzhen iDreamSky was approved as a newly established "Software Enterprise" in June 2013. In 2022, Shenzhen iDreamSky renewed its qualification as a "High and New Technology Enterprise" ("**HNTE**"), and it is subject to a reduced preferential EIT rate of 15% for three-year period from 2022 to 2024 according to the applicable tax preference applicable to the HNTE.

12 Income tax expense/(credit) (Continued)

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

Qianhai iDream was established in Qianhai, Bonded Zone of Shenzhen in April 2018. From 2018 to 2020, Qianhai iDream was subject to an applicable tax rate of 15%, as it met the requirements set out by local authorities for the preferential tax rate. In 2021, Qianhai iDream acquired the qualification as a HNTE, and it is subject to a reduced preferential EIT rate of 15% for three-year period from 2021 to 2023.

Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. ("**Chuangyi Shikong**") was established in Qianhai, Bonded Zone of Shenzhen in October 2014 and is subject to an applicable tax rate of 15% in 2022, as it meets the requirements set out by local authorities for the preferential tax rate.

Horgos iDreamSky Information Technology Co., Ltd. ("**Horgos iDreamSky**") was established in June 2016 in Horgos Development Zone of Xinjiang, where was exempt from EIT from the first year of operation for a five-year period according to the regulations set out by the local authorities. Since Horgos iDreamSky operated in 2016, the tax exemption period commenced from the year of 2016 to 2020 accordingly. Horgos iDreamSky is subject to western development preferential tax rate of 15% from the year of 2021, which is applicable.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 50% of their research and development expenses incurred before 2018 and 75% of their research and development expenses incurred from 2018 to 2023 as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

(d) PRC Withholding Tax ("WHT")

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

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

13 Losses per share and dividends

(a) Losses per share

(i) Basic

	Year ended December 31,	
	2022	2021
Loss attributable to owners of the Company *(RMB'000)*	**(2,492,293)**	(157,478)
Weighted average number of shares in issue (thousands)	**1,386,326**	1,259,699
Basic losses per share *(in RMB)*	**(1.80)**	(0.13)

Basic losses per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the year, excluding ordinary shares repurchased by the Group and held as treasury shares (Note 27).

(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 loss for the year ended December 31, 2022 and 2021, the impact of employee incentive plan and convertible bonds was 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 year ended December 31, 2022 and 2021 are the same as basic losses per share.

(b) Dividends

The Board has resolved that no dividend shall be declared for the year ended December 31, 2022 and 2021.

14 Property, plant and equipment

	Furniture and office equipment RMB'000	Server and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2021						
Opening net book amount	3,258	4,403	1,079	9,002	12,138	29,880
Additions	2,378	694	—	9,733	31,797	44,602
Disposals	(260)	(407)	—	(4,490)	—	(5,157)
Depreciation charge	(1,151)	(2,142)	(574)	(3,209)	—	(7,076)
Closing net book amount	4,225	2,548	505	11,036	43,935	62,249
At December 31, 2021						
Cost	20,278	21,110	3,295	31,853	43,935	120,471
Accumulated depreciation	(16,053)	(18,562)	(2,790)	(20,817)	—	(58,222)
Net book amount	4,225	2,548	505	11,036	43,935	62,249
Year ended December 31, 2022						
Opening net book amount	**4,225**	**2,548**	**505**	**11,036**	**43,935**	**62,249**
Additions	**3,538**	**3,274**	**—**	**22,401**	**28,229**	**57,442**
Disposals	**(321)**	**(1,869)**	**(149)**	**(949)**	**—**	**(3,288)**
Depreciation charge	**(1,635)**	**(1,165)**	**(223)**	**(5,437)**	**—**	**(8,460)**
Closing net book amount	**5,807**	**2,788**	**133**	**27,051**	**72,164**	**107,943**
At December 31, 2022						
Cost	**23,008**	**16,195**	**1,801**	**53,305**	**72,164**	**166,473**
Accumulated depreciation	**(17,201)**	**(13,407)**	**(1,668)**	**(26,254)**	**—**	**(58,530)**
Net book amount	**5,807**	**2,788**	**133**	**27,051**	**72,164**	**107,943**

14 Property, plant and equipment (Continued)

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of revenues	**872**	1,606
General and administrative expenses	**406**	3,252
Research and development expenses	**1,997**	1,586
Selling and marketing expenses	**5,185**	632
	8,460	7,076

15 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**107,351**	75,326
Land use rights	**78,064**	81,057
	185,415	156,383
Lease liabilities		
Non-current	**82,113**	59,945
Current	**34,926**	19,881
	117,039	79,826

Additions to the right-of-use assets during the year ended December 31, 2022 were RMB63,306,000 (2021: RMB81,694,000).

Disposals to the right-of-use assets during the year ended December 31, 2022 were RMB708,000 (2021: RMB10,604,000).

15 Leases (Continued)

(b) Amounts recognized in the consolidated statement of comprehensive income or capitalized in the construction in progress

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Buildings	**30,573**	17,798
Land use rights	**2,993**	2,924
	33,566	20,722

During the year ended December 31, 2022, the depreciation of RMB30,573,000 (2021: RMB17,798,000) from buildings was charged as profit or loss and RMB2,993,000 (2021: RMB2,924,000) from land use rights was recognized in construction in progress.

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Interest expense (included in finance costs)	**5,249**	2,240
Expense relating to short-term leases (included in cost of revenues and general and administrative expenses)	**1,121**	784
	6,370	3,024

(c) Amounts recognized in the consolidated statement of cash flows relating to leases

During the year ended December 31, 2022, the cash outflow about the principal element and interest element of lease payments was RMB30,518,000 and RMB5,249,000 respectively (2021: RMB16,109,000 and RMB2,240,000), the cash outflow about payment for short-term and low-value lease was RMB1,121,000 (2021: RMB784,000).

(d) The Group's leasing activities and how these are accounted for

The Group leases various offices and offline stores. Rental contracts are typically made for fixed periods of 1 to 6 years but may have extension options as described in (f) below.

15 Leases (Continued)

(e) Variable lease payments

Some lease contracts contain agreements that monthly payment is determined by the higher of fixed payments or variable payments. Fixed payments are stable in one or two years and increase in next years, while variable payments are calculated by percentage of gross revenue, usually 3% to 15%. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores, or only paying variable lease payments in the several years at the beginning. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(f) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by the Group.

16 Investment properties

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Opening net book amount	**31,860**	33,074
Disposal of a subsidiary *(Note 42(c))*	**(24,465)**	—
Depreciation charge	**(440)**	(1,214)
Closing net book amount	**6,955**	31,860

The investment properties as at December 31, 2021 are two buildings respectively located in Hainan Ecology Software Park and Changsha Xincheng Science Park for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales and rental.

The building located in Hainan Ecology Software Park is disposed along with the disposal of a subsidiary during the year ended December 31, 2022.

The fair value of the investment properties as at December 31, 2022 was RMB12,290,000 (2021: RMB41,900,000).

16 Investment properties (Continued)

(a) Amounts recognized in profit or loss for investment properties

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Rental income from operating leases	**35**	1,361
Direct operating expenses from properties that generates rental income	**(74)**	(74)
	(39)	1,287

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly or quarterly. To reduce credit risk, the Group sets agreements of rental deposit and liquidated damages in contract in case of tenants' delay in payments or no payments. The Group also sets increasing rental price during term of lease to against the increasing CPI.

For minimum lease payments receivable on leases of investment properties refer to Note 36.

17 Intangible assets

	Game intellectual properties and licenses	Computer software	Capitalized development costs for internal use software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021				
Opening net book amount	1,804,441	7,413	11,296	1,823,150
Additions	171,981	493	—	172,474
Amortization charge *(a)*	(191,793)	(5,676)	(9,778)	(207,247)
Impairment *(b)*	(49,673)	—	—	(49,673)
Disposal	(39,623)	(1)	—	(39,624)
Currency translation differences	(4,951)	—	—	(4,951)
Closing net book amount	1,690,382	2,229	1,518	1,694,129
At December 31, 2021				
Cost	2,394,122	38,703	77,602	2,510,427
Accumulated amortization	(703,740)	(36,474)	(76,084)	(816,298)
Net book amount	1,690,382	2,229	1,518	1,694,129
Year ended December 31, 2022				
Opening net book amount	**1,690,382**	**2,229**	**1,518**	**1,694,129**
Additions	**261,276**	**457**	**—**	**261,733**
Amortization charge *(a)*	**(208,233)**	**(1,615)**	**(1,518)**	**(211,366)**
Impairment *(b)*	**(752,293)**	**—**	**—**	**(752,293)**
Currency translation differences	**12,515**	**—**	**—**	**12,515**
Closing net book amount	**1,003,647**	**1,071**	**—**	**1,004,718**
At December 31, 2022				
Cost	**2,513,531**	**39,160**	**77,602**	**2,630,293**
Accumulated amortization	**(851,938)**	**(38,089)**	**(77,602)**	**(967,629)**
Accumulated impairment *(b)*	**(657,946)**	**—**	**—**	**(657,946)**
Net book amount	**1,003,647**	**1,071**	**—**	**1,004,718**

17 Intangible assets (Continued)

(a) Amortization charges for intangible assets

Amortization charges were expensed in the following categories in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of revenues	**190,665**	153,620
General and administrative expenses	**18,318**	46,226
Research and development expenses	**1,403**	4,894
Selling and marketing expenses	**980**	2,507
	211,366	207,247

(b) Impairment for intangible assets

The impairment for intangible assets mainly represents impairment of game intellectual properties and licenses and is the excess amount of the carrying amount of the game intellectual properties and licenses fees to the game developers over the cash flow projections to be generated in the remaining contractual period.

During the year ended December 31, 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB752,293,000 (2021: RMB49,673,000) was charged to the consolidated statement of comprehensive income, as the Group decided not to further develop and launch certain games which missed the best time window for launching due to the progress of approval of publication numbers. The Group's core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group's game business strategy in the future.

As certain game contracts have expired before December 31, 2022, the management expects that it is unlikely to reverse the impairment provision in the future, so part of the impairment of the game amounting to RMB94,347,000 is written off, of which the cost is RMB154,382,000 and the accumulated amortization is RMB60,035,000.

(c) As at December 31, 2022 and 2021, the Group's certain game intellectual properties and licenses with net book amounts of nil and RMB286,000 respectively were pledged to a bank to secure certain bank borrowings of the Group (Note 29).

18 Goodwill

	Goodwill *RMB'000*
Year ended December 31, 2021	
Opening net book amount	73,222
Impairment	—
Closing net book amount	73,222
Year ended December 31, 2022	
Opening net book amount	**73,222**
Impairment	**(73,222)**
Closing net book amount	**—**

On August 7, 2018, the Group acquired 70% of the issued share capital of Tianjin Huohun Internet Technology Co., Ltd. ("**Tianjin Huohun**"), an internet technology company mainly engaged in developing mobile games in mainland China. The remaining goodwill net of accumulated impairment amounting to RMB73,222,000 arised from the acquisition of 70% equity interests in Tianjin Huohun has been fully impaired for the year ended December 31, 2022.

Management considers Tianjin Huohun as a separate CGU (the "**Tianjin Huohun CGU**") and the goodwill is allocated to the Tianjin Huohun CGU. The Recoverable amount of the Tianjin Huohun CGU is determined based on the value in use calculations as at December 31, 2022 and 2021.

The calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period, and cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below for the year ended December 31, 2021.

The calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a seven-year period which are not on going-concern basis for the year ended December 31, 2022. Tianjin Huohun CGU is sustained by the diminishing business without expecting any new games to development. Operation of Tianjin Huohun CGU is expected to be terminated in 2029 as the life cycle of the existing games will end by that time. Hence, going-concern basis is not applicable for the cash flow projections.

Based on management's assessment on the recoverable amounts of the Tianjin Huohun CGU, the impairment loss of RMB73,222,000 on goodwill was charged to consolidated statement of comprehensive income for the year ended December 31, 2022 (2021: Nil) (Note 9).

18 Goodwill (Continued)

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

	As at December 31,	
	2022	2021
Average revenue growth rate during the forecast period	**-35.14%**	-6.85%
Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") margin during the forecast period	**5.53%–27.60%**	15.29%–74.58%
Terminal growth rate	**0.00%**	3.00%
Pre-tax discount rate	**62.71%**	31.28%

(a) Average revenue growth rate

The average revenue growth rate is estimated with reference to the industry growth forecast for the market in which Tianjin Huohun operates. When estimating the revenue growth rate during the forecast period, the management of the Company is of the view that the revenue growth would decrease significantly as compared to that as at December 31, 2021, because Tianjin Huohun has foregone the plans of new game development in 2022.

(b) EBITDA margin

The EBITDA margin of the projection period ranged between 5.53% and 27.60% (2021: 15.29% and 74.58%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

(c) Terminal growth rate

Cash flows beyond the projection period are extrapolated using the estimated terminal growth rate of 3.00% for the year ended December 31, 2021. Going-concern basis is not applicable for the year ended December 31, 2022.

(d) Pre-tax discount rate

The pre-tax discount rate reflects market assessments of the time value and the risks specific to the goodwill for which the future cash flow estimates have not been adjusted. With the assistance of a third-party independent valuer, management assessed that the pre-tax discount rate for the impairment assessment as at December 31, 2022 would be 62.71% that was significantly higher than 31.28% used as at December 31, 2021 because of the increase in company specific risk as a result of worse expected performance against last year forecast, which impose additional uncertainty on the achievement of financial projection, netting off by the impact from the drop in other market factors.

19 Financial instruments by category

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Assets as per consolidated statements of financial position		
Loans and receivables at amortized cost		
— Trade receivables *(Note 22)*	**724,932**	781,346
— Amounts due from related parties *(Note 37(c))*	**16,418**	5,382
— Other receivables *(Note 3.1(b))*	**155,329**	276,232
— *Restricted cash (Note 25)*	**87,099**	10,246
— Cash and cash equivalents *(Note 24)*	**90,527**	714,801
Financial assets at fair value through profit or loss *(Note 21)*	**474,754**	531,466
	1,549,059	2,319,473
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortized cost:		
— Borrowings *(Note 29)*	**1,011,241**	1,350,430
— Lease liabilities *(Note 15)*	**117,039**	79,826
— Trade payables *(Note 31)*	**443,498**	112,500
— Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 32)*	**90,027**	85,214
— Convertible bonds *(Note 30)*	**492,261**	401,461
	2,154,066	2,029,431

20 Investments accounted for using the equity method

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Associates *(a)*	**268,401**	273,834
Joint ventures *(b)*	**79,060**	98,351
	347,461	372,185

(a) Investments in associates

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**273,834**	274,498
Additions *(i)*	**26,251**	35,290
Disposal *(ii)*	**(12,132)**	(591)
Impairment *(iii)*	**(7,917)**	(20,719)
Share of results	**(13,497)**	(13,478)
Currency translation differences	**1,862**	(1,166)
At the end of the year	**268,401**	273,834

The Group directly hold solely ordinary shares of the associates. As at December 31, 2022 and 2021, the Group invested in 25 and 22 associates respectively. The share of results of the associates was not material to the Group. Therefore, in the opinion of the directors, none of the associates is material to the Group.

20 Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(i) Additions

The Group invested certain associates and made additional investments in existing associates, with an aggregate amount of RMB13,213,000 and RMB35,290,000 during the year ended December 31, 2022 and 2021, respectively. These associates are principally engaged or invested in online game business and other internet-related businesses.

In January 2022, the Group disposed 17% equity interests of a subsidiary with the consideration of RMB7,650,000 and lost control over it. Non-controlling interests increased RMB1,893,000 due to accumulated losses of the subsidiary. The investment has been accounted for as an investment in associate and remeasured as fair value of RMB13,038,000 since the remaining equity interest is 29.75% and the Group has significant influence to the investee. The Group recognized gains on disposal of subsidiaries of RMB22,506,000 in “Other gains/(losses), net” in the consolidated statement of comprehensive income.

(ii) Disposal

During the year ended December 31, 2022, The Group disposed certain investments from existing associates at considerations of RMB4,379,000 (2021: RMB7,117,000) and recognized disposal loss of RMB7,375,000 (2021: RMB6,526,000).

(iii) Impairment

During the year ended December 31, 2022, the Group made impairment provisions of RMB7,917,000 (2021: RMB20,719,000) against the carrying amounts of one (2021: two) associate, based on the results of impairment assessment performed on the carrying amount against its respective recoverable amount. The impairment loss mainly resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from existing games and the inability to launch new games due to lack of the licensed copyright.

20 Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(iii) Impairment (Continued)

Set out below are the top 5 associates of the Group as at December 31, 2022 and 2021.

Name	Place of incorporation/ Establishment	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group December 31, 2022	2021	Principal activities	Carrying amount RMB'000 December 31, 2022	2021
Nanjing Chuangyi Qiaokang Equity Investment Partnership Enterprise (Limited Partnership)	Jiangsu	RMB200,000,000	49.50%	49.50%	Financing	90,223	90,550
Zhejiang Yiyou Internet Technology Co., Ltd. (Zhejiang Yiyou)	Zhejiang	RMB15,502,377	19.00%	19.00%	Software business	76,540	79,450
Anhui Sichuang Sports Development Co., Ltd.	Anhui	RMB6,250,000	22.00%	22.00%	Culture, sports and entertainment	32,004	35,913
Shenzhen Zero One Zhihe Technology Co., Ltd	Guangdong	RMB1,411,900	24.79%	29.75%	Software business	10,333	—
Ganzhou West Dream Digital Industry Investment Development Center (limited partnership)	Jiangxi	RMB500,000,000	34.00%	0.00%	Financing	10,000	—

(b) Investments in joint ventures

	Year ended December 31, 2022 RMB'000	2021 RMB'000
At the beginning of the year	98,351	93,076
Additions	1,000	1,000
Disposal	(26,313)	—
Share of results	4,880	4,577
Currency translation differences	1,142	(302)
At the end of the year	79,060	98,351

20 Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

(i) Additions

The Group invested in a joint venture with an amount of RMB1,000,000 during the year ended December 31, 2022 (2021: RMB1,000,000). The joint venture is principally engaged or invested in online game business and other internet-related businesses.

(ii) Disposal

During the year ended December 31, 2022, The Group disposed certain investments from existing joint ventures at considerations of RMB26,500,000 and recognized disposal gains of RMB187,000 (2021: nil).

Set out below are the joint ventures of the Group as at December 31, 2022 and 2021. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. The share of profits of the joint ventures was not material to the Group. Therefore, in the opinion of the directors, none of the joint ventures is material to the Group.

Name	Place of incorporation/ establishment	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group December 31, 2022	Percentage of ownership interest attributable to the Group December 31, 2021	Principal activities	Carrying amount RMB'000 December 31, 2022	Carrying amount RMB'000 December 31, 2021
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Shenzhen	RMB104,000,000	**49.50%**	49.50%	Venture capital business	**42,381**	63,309
Dreamwalk Technologies Limited	Hong Kong	HKD13,952,000	**30.00%**	30.00%	Software business	**13,326**	12,946
Shenzhen Mengzuofang Technology Co., Ltd. ("**Shenzhen Mengzuofang**")	Shenzhen	RMB1,000,000	**19.25%**	29.25%	Software business	**9,673**	11,154
Tianjin Wenmeng Interactive Entertainment Co., Ltd.	Tianjin	RMB10,000,000	**50.00%**	50.00%	Performance brokerage agency	**5,042**	5,042
Tianjin Lewei Shidai Culture Development Co., Ltd. ("**Tianjin Lewei Shidai**")	Tianjin	RMB10,000,000	**49.00%**	49.00%	Film and television program planning	**4,900**	4,900

There were no contingent liabilities related to the Group's interest in the joint ventures as at December 31, 2022 and 2021.

21 Financial assets at fair value through profit or loss

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Included in non-current assets		
At the beginning of the year	**457,507**	374,769
Additions	**13,389**	126,012
Changes in fair value *(i)*	**(128,060)**	4,776
Disposal	**(212)**	(45,126)
Transfer from non-current to current *(ii)*	**(4,000)**	—
Currency translation differences	**10,273**	(2,924)
At the end of the year	**348,897**	457,507
Included in current assets		
At the beginning of the year	**73,959**	105,872
Additions	**5,000**	2,000
Changes in fair value	**44,910**	(8,287)
Disposal	**(8,325)**	(23,539)
Transfer from non-current to current *(ii)*	**4,000**	—
Currency translation differences	**6,313**	(2,087)
At the end of the year	**125,857**	73,959

The Group's financial assets at fair value through profit or loss comprised debt securities hold by the Group, shares traded on the HKEX (included in current assets), wealth management products and some investments in unlisted entities mainly operated in the PRC, USA and Korea.

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

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

21 Financial assets at fair value through profit or loss (Continued)

(i) During the year ended December 31, 2022, the Group recognized fair value losses of RMB106,564,000 of four equity investments. The fair value changes mainly resulted from serious deterioration of operation from invested companies.

(ii) In December 2022, one of investee was listed on the Beijing Stock Exchange. As quoted prices can be queried in active markets, the equity investment to the investee transfers from level 3 to level 1 (2021: nil), and recognizes fair value gains of RMB48,923,000.

22 Trade receivables

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Third parties	**842,957**	852,231
Related parties (Note 37(c))	**31,968**	16,202
	874,925	868,433
Less: provision for impairment	**(149,993)**	(87,087)
	724,932	781,346

(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 date are as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**240,231**	202,698
3 months to 1 year	**270,370**	391,224
1 to 2 years	**273,176**	254,215
2 to 3 years	**89,065**	18,184
Over 3 years	**2,083**	2,112
	874,925	868,433

22 Trade receivables (Continued)

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the year ended December 31, 2022 and 2021, the expected losses rate for trade receivables are determined according to provision matrix as follows:

	Year ended December 31, 2022			
	Third party distribution channels	**Advertising customers**	**Third-party payment channels and mobile carriers**	**Related parties**
Within 3 months	**3.31%**	**0.35%**	**1.89%**	**1.02%**
3 months to 1 year	**15.35%**	**1.76%**	**8.87%**	**1.57%**
1 to 2 years	**40.54%**	**3.75%**	**40.83%**	**2.40%**
2 to 3 years	**76.20%**	**14.76%**	**72.88%**	**3.64%**
Over 3 years	**100.00%**	**100.00%**	**100.00%**	**N/A**

	Year ended December 31, 2021			
	Third party distribution channels	Advertising customers	Third-party payment channels and mobile carriers	Related parties
Within 3 months	1.81%	0.27%	1.59%	1.21%
3 months to 1 year	8.09%	1.37%	7.17%	1.70%
1 to 2 years	26.02%	5.76%	35.66%	2.38%
2 to 3 years	70.25%	16.93%	70.57%	N/A
Over 3 years	100.00%	100.00%	100.00%	N/A

22 Trade receivables (Continued)

(b) (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**87,087**	97,969
Provision for impairment	**167,899**	5,788
Receivables written off during the period as uncollectible	**(104,993)**	(16,670)
At the end of the year	**149,993**	87,087

The provisions for impaired receivables have been included in "net impairment losses on financial assets" in the consolidated statement of comprehensive income.

(c) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
RMB	**869,833**	803,990
USD	**5,092**	64,443
	874,925	868,433

(d) As at December 31, 2022 and 2021, the fair values of trade receivables approximate their carrying amounts. The maximum exposure to credit risk at each of the reporting date is the carrying value of the net receivable balance.

(e) As at December 31, 2022 and 2021, trade receivables of RMB65,738,000 and RMB12,449,000 respectively were pledged to banks to secure certain bank facilities granted to the Group (Note 29).

23 Prepayments and other receivables

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Prepayments		
Prepaid revenue sharing to content providers *(a)*	**866,765**	1,083,335
Prepaid advertising expenses *(b)*	**376,609**	488,522
Recoverable value-added tax	**29,090**	37,186
Prepayment to related parties	**6,938**	41,620
Prepayment for intangible assets	**920**	3,254
Others	**32,827**	28,742
	1,313,149	1,682,659
Less: provision for impairment *(e)*	**(380,628)**	(9,873)
	932,521	1,672,786
Less: non-current Prepayment	**(920)**	(3,254)
	931,601	1,669,532
Other receivables		
Loans to third parties *(c)*	**238,091**	213,362
Loans to shareholders	**86,157**	19,127
Rental and other deposits	**12,258**	8,206
Loans to employees *(d)*	**1,879**	6,449
Others	**20,667**	39,871
	359,052	287,015
Less: provision for impairment *(Note 3.1)*	**(203,723)**	(10,783)
	155,329	276,232
Less: non-current other receivables	**(90,262)**	(27,898)
	65,067	248,334

23 Prepayments and other receivables (Continued)

As at December 31, 2022 and 2021, there were no significant balances that were past due.

(a) The prepaid revenue sharing to game developers is for the services to be rendered by game developers when the Group operates the third party developed games for certain period of time in certain countries. Such amounts are recognized as "cost of revenues" when relevant revenue is recognized.

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

(c) Loans to third parties represent the loans provided to a number of third parties, which were mainly unsecured, interest free except a loan that was interest-bearing fixed 4.35% per annum. In the opinion of the directors, none of the loans to any single third parties is material to the Group during the year ended December 31, 2022.

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

(e) Movements in the provision for impairment of prepayments as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**9,873**	9,873
Provision for impairment	**533,135**	57,492
Written off during the year	**(162,380)**	(57,492)
At the end of the year	**380,628**	9,873

The impairment provision mainly represents impairment of prepaid revenue sharing to game developers, which is primarily related to certain games licensed by the Group which did not operate well or align with the Group's future strategy. The provision is the excess amount of the carrying amount of the unearned pre-paid revenue sharing to game developers over the cash flow projections to be generated in the remaining contractual period.

23 Prepayments and other receivables (Continued)

(e) (Continued)

During the year ended December 31, 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB533,135,000 (2021: RMB57,492,000) was charged to cost of revenue in the consolidated statement of comprehensive income, as the Group decided not to further develop and launch certain games which missed the best time window for launching due to the progress of approval of publication numbers. The Group's core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group's game business strategy in the future.

(f) As at December 31, 2022 and 2021, the carrying amount of other receivables were primarily denominated in RMB and USD and approximated their fair value at each of the reporting date.

24 Cash and cash equivalents

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cash at bank and on hand	**90,502**	713,620
Due from other financial institutions	**25**	1,181
	90,527	714,801

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
RMB	**55,255**	114,026
USD	**27,787**	7,750
HKD	**7,285**	592,676
Others	**200**	349
	90,527	714,801

25 Restricted cash

As at December 31, 2022, restricted deposits held at banks of RMB87,099,000 (December 31, 2021: RMB10,246,000) were placed mainly due to borrowings and banker's acceptance bill pledged.

26 Share capital, share premium and treasury shares

	Number of shares	Nominal value of shares *USD'000*	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*	Treasury shares *RMB'000*	Group total *RMB'000*
Authorised:						
As at December 31, 2022 and 2021	5,000,000,000	500	—	—	—	—
Issued and fully paid:						
As at December 31, 2020	1,269,718,990	127	818	2,541,764	(8,616)	2,533,966
Shares vested for share incentive scheme *(a)(Note 28(c))*	—	—	—	(10)	10	—
Issuance of ordinary shares *(c)*	72,280,000	7	46	349,184	—	349,230
Acquisition of treasury shares *(b)*	—	—	—	—	(5,151)	(5,151)
Early conversion of convertible bonds	49,677,825	5	32	287,936	—	287,968
Cancellation of shares *(b)*	(4,201,200)	—	(3)	(13,733)	13,736	—
As at December 31, 2021	1,387,475,615	139	893	3,165,141	(21)	3,166,013
Shares vested for share incentive scheme *(a)(Note 28(c))*	—	—	—	(6)	6	—
Issuance of ordinary shares *(c)*	32,854,730	3	21	159,041	—	159,062
Acquisition of treasury shares *(b)*	—	—	—	—	(33,191)	(33,191)
Cancellation of shares *(b)*	(8,994,400)	(1)	(7)	(29,623)	29,630	—
As at December 31, 2022	1,411,335,945	141	907	3,294,553	(3,576)	3,291,884

(a) There are 7,598,961 shares and 12,709,824 shares vested during the year ended December 31, 2022 and 2021, the remaining treasury shares of the Group is 19,021,398 and 26,620,359 as at December 31, 2022 and 2021.

(b) During the year ended December 31, 2022, the Group bought back a total of 9,932,000 (2021: 1,601,200) ordinary shares of the Company that listed on the HKEX. The total amount paid to buy back these ordinary shares was HKD38,896,000 (equivalent to RMB33,191,000) (2021: HKD6,141,000 (equivalent to RMB5,151,000)). 8,994,400 shares bought back during the year ended December 31, 2022 were cancelled on September 30, 2022 and resulted in the decrease in the Company's share capital and share premium of RMB29,630,000.

(c) On February 28, 2022, an aggregate of 32,854,730 placing shares have been placed to three independent investors at the placing price of HKD5.92 per placing share pursuant to the terms and conditions of the placing agreement dated February 28, 2022.

27 Reserves

	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
As at January 1, 2021	16,100	90,688	22,313	602,582	731,683
Share-based compensation expenses *(Note 28)*	—	—	—	24,894	24,894
Profit appropriation to statutory reserves	—	1,089	—	—	1,089
Transaction with non-controlling interests	—	—	—	(1,190)	(1,190)
Currency translation differences	—	—	(11,494)	—	(11,494)
As at December 31, 2021	16,100	91,777	10,819	626,286	744,982
As at January 1, 2022	**16,100**	**91,777**	**10,819**	**626,286**	**744,982**
Share-based compensation expenses *(Note 28)*	**—**	**—**	**—**	**13,637**	**13,637**
Profit appropriation to statutory reserves	**—**	**4,285**	**—**	**—**	**4,285**
Transaction with non-controlling interests *(Note 42(c))*	**—**	**—**	**—**	**(18,096)**	**(18,096)**
Currency translation differences	**—**	**—**	**56,177**	**—**	**56,177**
As at December 31, 2022	**16,100**	**96,062**	**66,996**	**621,827**	**800,985**

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

27 Reserves (Continued)

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

28 Share-based payments

(a) 2018 Share Incentive Plan

On May 18, 2018, the Company issued and allotted an aggregate of 8,627,045 shares (86,270,450 shares after additional share issuance on December 6, 2018) to the RSUs Holding Entities for employee incentive plan purpose. On July 1, 2018, RSUs Holding Entities granted aggregate of 5,220,583 shares (52,205,830 shares after additional share issuance on December 6, 2018) to senior management and employees, among which aggregate of 2,913,310 shares (29,133,100 shares after additional share issuance on December 6, 2018) were granted to the relevant limited partners of two partnerships namely Ningbo Meishan Bonded Port Ziheng Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區資恒投資管理合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Mengweixing Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區夢維興投資管理合夥企業(有限合夥)) as a return for their reduction of the equity interests in Shenzhen iDreamSky. Out of 2,913,310 shares (29,133,100 shares after additional share issuance on December 6, 2018), 1,272,212 shares (12,722,120 shares after additional share issuance on December 6, 2018) are without vesting conditions and the remaining 1,641,098 shares (16,410,980 shares after additional share issuance on December 6, 2018) are attached some vesting conditions.

Out of the remaining 2,307,273 shares (23,072,730 shares after additional share issuance on December 6, 2018), the vesting schedule for 2,118,854 shares (21,188,540 shares after additional share issuance on December 6, 2018) is 1/3 after 8 months from original grant date, and the remaining 2/3 will be vest in 2 equal installments over the next 2 years; and the vesting schedule for 188,419 shares (1,884,190 shares after additional share issuance on December 6, 2018) is 48 months and the vesting schedule is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years. The Group recorded RMB57,951,000 share-based compensation expense accordingly during the year ended December 31, 2018.

During the year ended December 31, 2019, RSUs Holding Entities granted aggregate of 16,492,066 shares to employees, among which 2,601,251 shares are without vesting conditions. Out of the remaining 13,890,815 shares, the vesting period for 75,362 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 6,855,065 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and the remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,960,388 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB100,301,000 share-based compensation expense accordingly during the year ended December 31, 2019.

28 Share-based payments (Continued)

(a) 2018 Share Incentive Plan (Continued)

During the year ended December 31, 2020, RSUs Holding Entities granted aggregate of 18,566,947 shares to employees, among which 3,647,147 shares are without vesting conditions. Out of the remaining 14,919,800 shares, the vesting period for 112,779 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 24,000 shares is 2 years, and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 8,373,322 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,409,699 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB89,460,000 share-based compensation expense accordingly during the year ended December 31, 2020.

During the year ended December 31, 2021, RSU Holding Entities granted aggregate of 8,085,721 shares to employees, among which 4,465,700 shares are without vesting conditions. Out of the remaining 3,620,021 shares, the vesting period for 800,000 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 2,484,021 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 336,000 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next 3 years.

During the year ended December 31, 2022, RSU Holding Entities granted aggregate of 16,283,801 shares to employees, among which 1,390,180 shares are without vesting conditions.

The total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group recorded RMB13,637,000 share-based compensation expense accordingly during the year ended December 31, 2022 (2021: RMB24,894,000).

28 Share-based payments (Continued)

(a) 2018 Share Incentive Plan (Continued)

Movement in the number of awarded shares for the year ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022	2021
At the beginning of the year	**10,831,743**	18,749,788
Granted	**16,283,801**	8,085,721
Vested	**(7,598,961)**	(12,709,824)
Forfeited	**(1,582,769)**	(3,293,942)
At the end of the year	**17,933,814**	10,831,743

29 Borrowings

	As at December 31, 2022 *RMB'000*	2021 *RMB'000*
Included in non-current liabilities		
Secured bank borrowings *(a)*	**—**	450,719
Included in current liabilities		
Secured bank borrowings *(a)*	**508,400**	447,500
Current portion of long-term bank borrowings, secured *(a)*	**482,841**	432,211
Secured other borrowings	**20,000**	—
Unsecured other borrowings	**—**	20,000
	1,011,241	899,711
	1,011,241	1,350,430

As at December 31, 2022, the Group's long-term bank borrowings bear weighted average interest rate of 4.19% (2021: 4.52%) per annum, and the short-term bank borrowings bear weighted average interest rate of 5.57% (2021: 4.42%) per annum.

29 Borrowings (Continued)

As disclosed in Note 1.2(c), as at December 31, 2022, the Group did not comply with certain financial covenant requirements of a bank borrowing. The non-compliance may cause the relevant bank borrowing, subject to certain cross default clauses, become immediately due and payable should the lenders exercise their rights to demand repayment under the relevant agreements. As a result, the Group reclassified non-current bank borrowings of RMB40,000,000 to current liabilities as at December 31, 2022.

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

	Bank borrowings as at December 31,	
	2022	2021
	RMB'000	*RMB'000*
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	**442,841**	558,930
Guaranteed by the Company, and/or certain subsidiaries of the Company	**240,000**	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	**270,000**	277,000
Secured by certificate of deposit	**38,400**	—
	991,241	1,330,430

29 Borrowings (Continued)

(b) The maturity of borrowings is as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**1,011,241**	899,711
Between 1 and 2 years	**—**	450,719
	1,011,241	1,350,430

(c) The carrying amount of the Group's borrowings is denominated in the following currencies:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
RMB	**568,400**	791,500
EUR	**442,841**	558,930
	1,011,241	1,350,430

30 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 RMB692,284,000) 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 HKD4.99 per share. On October 16, 2020, the 2025 Convertible Bonds were issued. The holder of each 2025 Convertible Bonds will have the right at holder's option, to require the Group to redeem all or some only of such holder's bonds on October 16, 2023.

30 Convertible bonds (Continued)

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

- 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 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 imbedded redemption options were recognized as a single liability component, and it subsequently carried at amortized cost.

- 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 *RMB'000*	Equity *RMB'000*	Total *RMB'000*
As at January 1, 2021	367,874	262,620	630,494
Interest expenses *(Note 11)*	62,676	—	62,676
Coupon interests paid	(20,205)	—	(20,205)
Currency translation differences	(8,884)	—	(8,884)
As at December 31, 2021	401,461	262,620	664,081
As at January 1, 2022	**401,461**	**262,620**	**664,081**
Interest expenses *(Note 11)*	**70,284**	**—**	**70,284**
Coupon interests paid	**(20,104)**	**—**	**(20,104)**
Currency translation differences	**40,620**	**—**	**40,620**
As at December 31, 2022	**492,261**	**262,620**	**754,881**

Interest expense is 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.

30 Convertible bonds (Continued)

As disclosed in Note 1.2(c), the Group did not comply with certain financial covenant requirements of a bank borrowing which may cause the 2025 Convertible Bonds, subject to certain repayment acceleration clauses, become immediately due and payable should the lenders exercise their rights to accelerate repayment under the relevant agreements. In addition, the CB Holders will have the rights at holder's option, to require the Group to redeem all or some of such holder's bonds on October 16, 2023. As a result, the Group reclassified the 2025 Convertible Bonds to current liabilities as at December 31, 2022.

Since the 2025 Convertible Bonds still have a term of more than two years before its final maturity in October 2025 and considering the anticipated improvement in operation performance of the Group as mentioned in Note 1.2(c), the directors of the Company is confident that the CB Holders will be convinced not to exercise their redemption option on October 16, 2023. As a result, the carrying amount of liability component of 2025 Convertible Bonds were not remeasured.

As at December 31, 2022, there has been no conversion of the 2025 Convertible Bonds.

31 Trade payables

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Third parties	**392,851**	90,659
Related parties *(Note 37(c))*	**50,647**	21,841
	443,498	112,500

31 Trade payables (Continued)

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 cooperated game developers according to respective cooperation agreements. The credit terms of trade payables granted to the Group are usually 3 months.

(a) The aging analysis of trade payables based on recognition date is as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**141,675**	45,047
3 months to 1 year	**252,546**	48,165
1 to 2 years	**33,629**	13,815
2 to 5 years	**15,648**	5,473
	443,498	112,500

(b) The carrying amount of the Group's trade payables is denominated in the following currencies:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
RMB	**441,885**	100,487
USD	**1,613**	12,013
	443,498	112,500

(c) As at December 31, 2022 and 2021, the fair value of trade payables approximated to their carrying amount.

32 Other payables and accruals

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Payroll and welfare payables	**98,230**	55,783
Other tax payables	**36,430**	25,534
Other payables due to related parties *(Note 37(c))*	**30,507**	65,127
Other payables to construction in progress	**21,254**	—
Professional service fee payable	**6,422**	5,600
Advance from business partners	**5,362**	2,071
Interest payable	**1,480**	155
Others	**25,002**	12,261
	224,687	166,531

As at December 31, 2022 and 2021, other payables and accruals were denominated in RMB and the fair values of these balances approximated to their carrying amounts.

33 Contract costs and liabilities

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Contract costs:		
Costs to obtain contracts for game publishing	**55,405**	91,296
Contract liabilities:		
Game publishing	**153,489**	200,696
Game development	**43,698**	47,377
Information service	**2,100**	—
IP derivatives business	**1,946**	—
	199,133	250,173

33 Contract costs and liabilities (Continued)

(a) Significant changes in contract costs and liabilities

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortized commissions charged by the Platforms and game developers.

In adopting IFRS 15, the Group recognizes contract costs in relation to commissions charged by the Platforms and game developers, which meet contract acquisition cost criteria when the Group views the game players as its customer and that is incremental cost of acquiring a customer contract. They are capitalized as contract acquisition costs and amortized over the Player Relationship Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognized on any contract costs.

Contract liabilities primarily consist of the unamortized revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

(b) Revenues recognized in relation to contract liabilities

The following table shows the amount of revenues recognized in the consolidated statement of comprehensive income for the respective years relating to contract liabilities brought forward:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenues recognized that was included in the contract liabilities balance at the beginning of the year		
Game publishing	**200,696**	321,752
Game development	**6,000**	—
Information service	**2,100**	—
	208,796	321,752

34 Deferred income tax

(a) Deferred tax assets

The analysis of deferred income tax assets are as follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Contract liabilities	**23,023**	30,104
Impairment provisions	**23,420**	28,141
Tax losses	**38,414**	41,542
Intangible assets amortization	**13,185**	12,181
Fair value losses on financial assets at fair value through profit or loss	**16,728**	6,356
Accrued expenses	**24,166**	22,782
Deferred government grants	**—**	101
Total deferred tax assets	**138,936**	141,207
Set-off of deferred tax liabilities	**(25,383)**	(15,635)
Deferred tax assets, net	**113,553**	125,572

34 Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	At December 31, 2020 RMB'000	Recognized in profit or loss RMB'000	At December 31, 2021 RMB'000	Recognized in profit or loss RMB'000	At December 31, 2022 RMB'000
Deferred government grants	278	(177)	101	(101)	—
Contract liabilities	48,263	(18,159)	30,104	(7,081)	23,023
Intangible assets amortization	10,935	1,246	12,181	1,004	13,185
Impairment provisions	29,218	(1,077)	28,141	(4,721)	23,420
Fair value losses on financial assets at fair value through profit or loss	5,132	1,224	6,356	10,372	16,728
Accrued expenses	1,591	21,191	22,782	1,384	24,166
Unused losses carried forward	12,275	29,267	41,542	(3,128)	38,414
Total	107,692	33,515	141,207	(2,271)	138,936

(b) Deferred tax liabilities

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
The balance comprises temporary differences attributable to:		
Contract costs	25,383	15,635
Set-off of deferred tax assets	(25,383)	(15,635)
Deferred tax liabilities, net	—	—

34 Deferred income tax (Continued)

(b) Deferred tax liabilities (Continued)

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Contract costs *RMB'000*
At January 1, 2021	29,121
Recognized in profit or loss	(13,486)
At December 31, 2021	**15,635**
Recognized in profit or loss	**9,748**
At December 31, 2022	**25,383**

(c) Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable. During the year ended December 31, 2022 and 2021, the Group did not recognize deferred income tax assets in respect of losses of approximately RMB2,604,451,000 and RMB51,266,000 respectively. The tax losses as at December 31, 2022 amounting to RMB153,942,000 can be carried forward indefinitely, and the remaining amount of RMB2,654,547,000 will expire from year 2022 to 2026 (2021: RMB95,468,000, indefinitely; RMB108,569,000, from year 2021 to 2025).

35 Cash generated from operations

(a) Reconciliation of net loss to cash inflow from operating activities:

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Loss for the year	**(2,589,917)**	(155,930)
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 14)*	**8,460**	7,076
— Depreciation of investment properties *(Note 16*)	**440**	1,214
— Depreciation of right-of-use assets *(Note 15)*	**30,573**	17,798
— Amortization of intangible assets *(Note 17)*	**211,366**	207,247
— Losses on disposals of property, plant and equipment *(Note 9)*	**1,243**	4,835
— Losses on disposals of intangible assets *(Note 9)*	**—**	1,887
— Gains on disposals of right-of-use assets *(Note 9)*	**(116)**	(1,916)
— Loss/(Gains) on disposal of investments in associates *(Note 9)*	**7,188**	(6,526)
— Impairment provisions for financial assets *(Note 3.1) (Note 22)*	**360,928**	20,580
— Impairment provisions for prepayments *(Note 23)*	**533,135**	57,492
— Impairment provisions for intangible assets *(Note 17)*	**752,293**	49,673
— Impairment provisions for investments in associates *(Note 20(a))*	**7,917**	20,719
— Share-based compensation expenses *(Note 28)*	**13,637**	24,894
— Share of results of investments accounted for using the equity method *(Note 20)*	**8,617**	8,901
— Gains on disposal of subsidiaries *(Note 9)*	**(23,540)**	(2,828)
— Gains on disposal of financial assets at fair value through profit or loss *(Note 9)*	**(117)**	(1,608)
— Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	85,662
— Goodwill impairment *(Note 9)*	**73,222**	—
— Interest income from wealth management products *(Note 8)*	**—**	(9)
— Finance costs *(Note 11)*	**132,816**	134,416
— Exchange loss/(gains), net *(Note 11)*	**52,445**	(59,147)
— Changes in fair value of financial assets at fair value through profit or loss *(Note 21)*	**83,150**	3,511
— Income tax expense/(credit) *(Note 12)*	**12,859**	(25,250)
Changes in working capital:		
— Increase in receivables	**(37,699)**	(86,149)
— (Decrease)/increase in payables	**518,052**	(160,982)
— Changes in contract costs	**35,891**	103,166
— Changes in contract liabilities	**(51,040)**	(71,579)
— Changes in advance receipt *(Note 32)*	**3,291**	(83)
— *Changes in inventories*	**(9,357)**	(11,331)
— Changes in restricted cash	**(41,983)**	—
Cash generated from operations	**93,754**	165,733

35 Cash generated from operations (Continued)

(a) Reconciliation of net loss to cash inflow from operating activities: (Continued)

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net book amount *(Note 14)*	**3,288**	5,157
Losses on disposal of property, plant and equipment *(Note 9)*	**(1,243)**	(4,835)
Proceeds from disposal of property, plant and equipment	**495**	322
Receivables from disposal of property, plant and equipment	**1,550**	—
Net book amount *(Note 17)*	**—**	39,624
Loss on disposal of intangible assets *(Note 9)*	**—**	(1,887)
Proceeds from disposal of intangible assets	**—**	21,300
Receivables from disposal of intangible assets	**—**	16,437

(b) Net debt reconciliation

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cash and cash equivalents	**90,527**	714,801
Restricted cash	**87,099**	10,246
Convertible bonds	**(492,261)**	(401,461)
Borrowings-repayable within 1 year	**(1,011,241)**	(899,711)
Borrowings-repayable after 1 year	**—**	(450,719)
Lease liabilities	**(117,039)**	(79,826)
Interest payable	**(1,480)**	(155)
Net debt	**(1,444,395)**	(1,106,825)

35 Cash generated from operations (Continued)

(b) Net debt reconciliation (Continued)

	Cash and cash equivalents	Restricted Cash	Convertible bonds	Convertible bonds classified as financial liabilities at fair value through profit or loss	Borrowings-repayable within 1 year	Borrowings-repayable after 1 year	Lease liabilities	Amounts due to a related party	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2021	735,567	52,042	(367,874)	(206,308)	(1,553,659)	—	(27,032)	(14,734)	(327)	(1,382,325)
Cash flows										
— Net cash flows	(2,001)	(41,796)	—	—	(1,774)	141,585	16,109	2,528	—	114,651
— Interest paid	—	—	20,205	2,588	—	—	—	—	89,668	112,461
Non-cash movements										
— Interest expense	—	—	(62,676)	—	—	—	(2,240)	—	(71,038)	(135,954)
— Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	—	—	—	(85,662)	—	—	—	—	—	(85,662)
— Early conversion of convertible bonds	—	—	—	287,968	—	—	—	—	—	287,968
— New lease	—	—	—	—	—	—	(79,183)	—	—	(79,183)
— Exchange impacts	(18,765)	—	8,884	1,414	—	63,418	—	—	—	54,951
— Reclassification	—	—	—	—	655,722	(655,722)	—	—	—	—
— Other non-cash movements	—	—	—	—	—	—	12,520	12,206	(18,458)	6,268
Net debt as at December 31, 2021	714,801	10,246	(401,461)	—	(899,711)	(450,719)	(79,826)	—	(155)	(1,106,825)
Net debt as at January 1, 2022	**714,801**	**10,246**	**(401,461)**	**—**	**(899,711)**	**(450,719)**	**(79,826)**	**—**	**(155)**	**(1,106,825)**
Cash flows										
— Net cash flows	**(633,925)**	**76,853**	**—**	**—**	**(20,900)**	**387,016**	**30,518**	**—**	**—**	**(160,438)**
— Interest paid	**—**	**—**	**20,104**	**—**	**—**	**—**	**—**	**—**	**58,060**	**78,164**
Non-cash movements										
— Interest expense	**—**	**—**	**(70,284)**	**—**	**—**	**—**	**(5,249)**	**—**	**(59,385)**	**(134,918)**
— New lease	**—**	**—**	**—**	**—**	**—**	**—**	**(63,306)**	**—**	**—**	**(63,306)**
— Exchange impacts	**9,651**	**—**	**(40,620)**	**—**	**—**	**(22,194)**	**—**	**—**	**—**	**(53,163)**
— Reclassification	**—**	**—**	**—**	**—**	**(90,630)**	**90,630**	**—**	**—**	**—**	**—**
— Other non-cash movements	**—**	**—**	**—**	**—**	**—**	**(4,733)**	**824**	**—**	**—**	**(3,909)**
Net debt as at December 31, 2022	**90,527**	**87,099**	**(492,261)**	**—**	**(1,011,241)**	**—**	**(117,039)**	**—**	**(1,480)**	**(1,444,395)**

36 Commitments

(a) Capital commitments

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

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Intangible assets	**183,340**	129,960
Construction in progress	**159,274**	161,155
	342,614	291,115

(b) Non-cancellable operating lease

The investment properties are leased to tenants under operating leases with rentals payable annually. For details of the leasing arrangements refer to Note 16.

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	**—**	985
Later than 1 year and no later than 6 years	**—**	3,957
	—	4,942

37 Significant related party transactions

(a) Names and relationships with related parties

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

Names of major related parties	Nature of relationship
Tencent and its subsidiaries (collectively "**Tencent Group**")	Shareholder of the Company
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership) ("**Hengqin Chuangmeng Qida**")	Associate of the Group
Zhejiang Yiyou	Associate of the Group
Shenzhen Xingfei Culture Co., Ltd. ("**Shenzhen Xingfei**")	Associate of the Group
iDream Legu (Nanjing) Cultural Industry Development Co., Ltd. ("**iDream Legu**")	Associate of the Group
Enlightenment (Beijing) Culture and Art Industry Co., Ltd. ("**Enlightenment (Beijing)**")	Major shareholder of Associates
Shenzhen Mengzuofang	Joint venture of the Group
Tianjin Lewei Shida	Joint venture of the Group
IDS Partnership01 L.P.	Joint venture of the Group
Mr. Jeffrey Lyndon Ko	Director of the Company
Mr. Lei Junwen	Senior management of the Company
Mr. Chen Xiangyu	Director of the Company
Mr. Guan Song	Director of the Company
Shenzhen Zero One Zhihe Technology Co., LTD ("**Zero One Zhihe**")	Associate of the Group
Shipshape Holdings Limited ("**Shipshape** ")	Related party of a director

37 Significant related party transactions (Continued)

(b) Significant transactions with related parties

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

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Provision of services		
Tencent Group	**47,290**	47,009
Shenzhen Mengzuofang	**32,004**	—
Zero One Zhihe	**4,607**	—
	83,901	47,133
IP cooperation		
Tencent Group	**2,358**	7,934
Purchases of services		
Tencent Group	**33,303**	28,488
Revenue share to content providers		
Tencent Group	**39,637**	—
Zhejiang Yiyou	**32,230**	104,772
	71,867	104,772
Licence fees of the QQfamily IPs		
Tencent Group	**1,887**	1,572

37 Significant related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Loans provided to related parties		
Loans to related parties:		
Mr. Lei Junwen	4,132	—
Shipshape	2,087	—
Mr. Guan Song	2,068	—
iDream Legu	1,230	3,700
Mr. Chen Xiangyu	1,000	—
IDS Partnership01 L.P.	300	226
Mr. Jeffrey Lyndon Ko	130	—
Zhejiang Yiyou	—	18,000
Hengqin Chuangmeng Qida	—	9,475
	10,947	31,401
Repayment received from related parties:		
iDream Legu	230	—
Shipshape	1	—
Zhejiang Yiyou	—	18,000
Hengqin Chuangmeng Qida	—	9,475
Shenzhen Mengzuofang	—	84
	231	27,559

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Loan from a related party		
Repayment to a related party:		
Hengqin Chuangmeng Qida	—	2,528
Proceeds from disposal of investments in an associate to a related party		
Tencent Group	—	6,750

37 Significant related party transactions (Continued)

(c) Year end balances with related parties

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Amounts due from related parties		
iDream Legu	**4,582**	3,700
Mr. Lei Junwen	**4,307**	—
Shipshape	**2,233**	—
Mr. Guan Song	**2,068**	—
Mr. Jeffrey Lyndon Ko	**1,314**	1,082
Mr. Chen Xiangyu	**1,000**	—
Shenzhen Mengzuofang	**420**	420
Tencent Group	**300**	—
IDS Partnership01 L.P.	**244**	223
Hengqin Chuangmeng Qida	**70**	70
	16,538	5,495
Less: provision for impairment *(Note 3.1)*	**(120)**	(113)
	16,418	5,382
Trade receivables		
Tencent Group	**22,770**	16,202
Shenzhen Mengzuofang	**5,600**	—
Zero One Zhihe	**3,598**	—
	31,968	16,202
Trade payables		
Tencent Group	**50,647**	21,841

37 Significant related party transactions (Continued)

(c) Year end balances with related parties (Continued)

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Prepayments to related parties		
Tencent Group	**6,938**	5,032
Zhejiang Yiyou	**—**	11,588
Shenzhen Xingfei	**—**	25,000
	6,938	41,620
Other payables		
Zero One Zhihe	**14,458**	—
Tencent Group	**6,149**	259
Hengqin Chuangmeng Qida	**5,000**	5,000
Tianjin Lewei Shidai	**4,900**	4,900
Non-controlling shareholders of a subsidiary*	**—**	54,850
iDream Legu	**—**	118
	30,507	65,127
Contract liabilities due to related parties		
Tencent Group	**43,698**	47,377

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

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

* These balances are the unpaid consideration to the sellers for the acquisition of Tianjin Huohun.

37 Significant related party transactions (Continued)

(d) Senior management personnel compensations

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**4,891**	4,918
Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	**421**	149
	5,312	5,067

38 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2022 and 2021.

39 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Director's and chief executive's emoluments are disclosed in Note 10.

(b) Directors' retirement benefits

No retirement benefits were paid to or payable in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended December 31, 2022 and 2021.

(c) Directors' termination benefits

During the reporting period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services subsisted at the end of or at any time during the year ended December 31, 2022 and 2021.

39 Benefits and interests of directors (Continued)

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of or at any time during the year ended December 31, 2022 and 2021, except for the transactions disclosed in Note 37.

(f) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended December 31, 2022 and 2021, except for the transactions disclosed in Note 37.

40 Subsequent events

In February 2023, the Group disposed 27% equity interests of a subsidiary which operates the IP derivatives business and lost control over the subsidiary.

On March 20, 2023, the Group entered into a series of supplementary agreements on game cooperation with its shareholder, which are mainly related to cooperation of existing games, and certain new games that are expected to launch in the second half of the year 2023. Pursuant to the supplemental agreements, the Group has the right to receive an advance payment of RMB150,000,000 (of which RMB139,000,000 has been received) for the revenue sharing of such games, subject to certain conditions being met.

41 Financial position and reserve movement of the Company

(a) Financial position of the Company

	Year ended December 31, 2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,366,574**	1,219,820
Investments accounted for using the equity method	**—**	1,281
Financial assets at fair value through profit or loss	**82,391**	70,533
Intangible assets	**125,760**	182,128
	1,574,725	1,473,762
Current assets		
Amounts due from subsidiaries	**2,230,439**	1,991,509
Amounts due from related parties	**40,563**	351
Prepayments and other receivables	**279,443**	173,909
Restricted cash	**5,117**	10,246
Cash and cash equivalents	**7,175**	372,384
	2,562,737	2,548,399
Total assets	**4,137,462**	4,022,161
EQUITY		
Share capital, share premium and treasury shares	**3,291,884**	3,166,013
Other reserves	**458,314**	154,566
Accumulated losses	**(619,598)**	(320,131)
Total equity	**3,130,600**	3,000,448
LIABILITIES		
Non-current liabilities		
Borrowings	**—**	430,719
Convertible bonds	**—**	401,461
	—	832,180
Current liabilities		
Borrowings	**442,841**	128,211
Amounts due to subsidiaries	**65,304**	61,173
Other payables and accruals	**6,456**	149
Convertible bonds	**492,261**	—
	1,006,862	189,533
Total liabilities	**1,006,862**	1,021,713
Total equity and liabilities	**4,137,462**	4,022,161

The financial position of the Company was approved by the Board of Directors on March 30, 2023 and was signed on its behalf:

Chen Xiangyu
Director

Guan Song
Director

41 Financial position and reserve movement of the Company (Continued)

(b) Other reserves and accumulated losses movement of the Company

	Other reserves	Accumulated losses
	RMB'000	*RMB'000*
At January 1, 2021	248,052	(150,821)
Loss for the year	—	(169,310)
Currency translation differences	(93,486)	—
At December 31, 2021	154,566	(320,131)
Loss for the year	**—**	**(299,467)**
Currency translation differences	**303,748**	**—**
At December 31, 2022	**458,314**	**(619,598)**

42 Subsidiaries and controlled structured entities

The following is a list of principal subsidiaries of the Company as at December 31, 2022

Company Name	Place of establishment and nature of legal entity	Particulars of issued/registered capital	Proportion of equity interest held by the Group (%)		Principal activities and place of operation
			2022	2021	
(a) Directly owned					
iDreamSky Holdings (HK)	Hong Kong	HKD1	**100%**	100%	Investment holding/ Hong Kong
Dreambeyond Holdings Limited	Cayman	USD50,000	**100%**	100%	Investment holding/Cayman
Dream Impression Holdings Limited	Cayman	USD50,000	**100%**	100%	Investment holding/Cayman
(b) Indirectly owned					
Qianhai iDream	The PRC, limited liability company	USD100,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Chuangyi Shikong	The PRC, limited liability company	RMB187,473,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Ledou Gaming Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Changsha Mengju Information Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Baixingsheng Investment Management Co., Ltd.	The PRC, limited liability company	RMB3,000,000	**100%**	100%	Financing/The PRC

42 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/registered capital	Proportion of equity interest held by the Group (%) 2022	2021	Principal activities and place of operation
(b) Indirectly owned (Continued)					
Zhuhai Hengqin Hunmeng Investment Enterprise LLP	The PRC, limited liability company	RMB100,000,000	**100%**	100%	Financing/The PRC
Tianjin Huohun	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Internet and software technology development and service/The PRC
Tianjin Shengting	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Internet and software technology development and service/The PRC
Dreammaker (HK) Technology Limited	Hong Kong	HKD1,000,000	**100%**	100%	Internet Information Service/Hong Kong
iDreamSky Technology (HK) Limited	Hong Kong	HKD1	**100%**	100%	Internet Information Service/Hong Kong
IDS 01 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 02 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 05 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 06 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 08 Holdings Limited	Cayman	USD5,000,000	**100%**	100%	Investment holding/Cayman
IDS 11 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 12 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 13 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
iDreamSky Creative Limited	Hong Kong	HKD1	**100%**	100%	Investment holding/Hong Kong
DSKY Venture (Korea)	Korea	WON5,373,040,000	**100%**	100%	Investment holding/Korea
(c) Controlled by the Company pursuant to the Contractual Arrangements					
Shenzhen iDreamSky	The PRC, limited liability company	RMB215,001,755	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Chenhai Star Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Hunan Langshan iDreamSky Cultural Communication Co., Ltd.	The PRC, limited liability company	RMB2,000,000	**100%**	100%	Culture, sports and entertainment/ The PRC
Horgos Ledou Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Hainan iDreamSky Technology Co., Ltd. ("**Hainan iDreamSky**") *(i)*	The PRC, limited liability company	RMB1,000,000	**–**	100%	Internet and software technology development and service/The PRC
Horgos iDreamSky	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Mengyutongchuang Technology Enterprise (Limited Partnership)	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Qianhai Juzheng Investment Management Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Financing/The PRC

42 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/registered capital	Proportion of equity interest held by the Group (%) 2022	2021	Principal activities and place of operation
(c) Controlled by the Company pursuant to the Contractual Arrangements (Continued)					
Shenzhen iDream Huyu Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**51%**	51%	Culture, sports and entertainment/The PRC
Shenzhen iDreamSky Entertainment Co., Ltd. ("**Shenzhen iDreamSky Entertainment**") *(ii)*	The PRC, limited liability company	RMB25,023,567	**73%**	63%	Culture, sports and entertainment/The PRC
Shenzhen Mengyu Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**95%**	95%	Internet and software technology development and service/The PRC
Nanjing Mengyu Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**73%**	63%	Internet and software technology development and service/The PRC
Guangzhou Chuangying Entertainment Enterprise Management Co., Ltd.	The PRC, limited liability company	RMB5,000,000	**73%**	63%	Culture, sports and entertainment/The PRC
Guangzhou Mengyu Technology Co., Ltd.	The PRC, limited liability company	RMB3,000,000	**73%**	63%	Culture, sports and entertainment/The PRC
Changsha Mengyu Cultural Creativity Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**73%**	63%	Culture, sports and entertainment/The PRC
Shenzhen iDream Play Together Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**73%**	63%	Culture, sports and entertainment/The PRC
Changsha Xunhuo Network Technology Co., Ltd.	The PRC, limited liability company	RMB1,499,250	**51%**	51%	Internet and software technology development and service/The PRC
Chengdu iDream Play Together Technology Co., Ltd.	The PRC, limited liability company	RMB11,000,000	**73%**	0%	Culture, sports and entertainment/The PRC
Wuhan iDeam Play Together Cultural Creativity Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**73%**	0%	Culture, sports and entertainment/The PRC
Chongqing Mengyu Cultural Creativity Co., Ltd	The PRC, limited liability company	RMB1,000,000	**73%**	0%	Culture, sports and entertainment/The PRC
Dongguan Mengyu Cultural Creativity Co., Ltd	The PRC, limited liability company	RMB1,000,000	**73%**	0%	Culture, sports and entertainment/The PRC
Foshan Mengyu Enterprise Management Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**73%**	0%	Culture, sports and entertainment/The PRC
Zhuhai Mengyu Cultural Creativity Co., Ltd	The PRC, limited liability company	RMB1,000,000	**73%**	0%	Culture, sports and entertainment/The PRC
Zhengzhou Mengyu Enterprise Management Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**73%**	0%	Culture, sports and entertainment/The PRC

42 Subsidiaries and controlled structured entities (Continued)

(i) In November 2022, the Group disposed 100% equity interest of Hainan iDreamSky and lost control over it. The Group recognized gains on disposal of subsidiaries of RMB1,034,000 in "Other gains/(losses), net" in the consolidated statement of comprehensive income.

(ii) In March 2022, the Group disposed 3% equity interest of Shenzhen iDreamSky Entertainment to non-controlling interests. The difference of RMB856,000 between the consideration and the carrying amount of the non-controlling interests was recognized as reserve. In August 2022, the Group acquired 16.63% of Shenzhen iDreamSky Entertainment from non-controlling interests. The difference of RMB18,952,000 between the consideration and the carrying amount of the non-controlling interests cause decrease in reserve.

The directors of the Company considered that the non-controlling interests in respect of the subsidiaries are not material to the Group, and therefore, no summarized financial information of the relevant subsidiaries is presented separately.

In this annual report, 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 total game revenue for the period divided by the total number of paying users during that period
"Articles of Association"	the amended and restated articles of association of our Company adopted on November 20, 2018 with effect from December 6, 2018, as amended or supplemented from time to time
"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
"Brilliant Seed"	Brilliant Seed Limited, a company incorporated in the BVI on January 2, 2018 and wholly-owned by Mr. Chen Xiangyu
"Brilliant Seed Subscription Agreement"	the subscription agreement dated 28 November, 2021 entered into between the Company, Mr. Chen Xiangyu as guarantor and Brilliant Seed in relation to the subscription of the subscription shares by Brilliant Seed at the subscription price
"CG Code"	the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules
"Chuangyi Shikong"	Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. (前海創意時空科技(深圳)有限公司), a company incorporated in China, and a subsidiary of our Company
"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 HKEX under stock code 1119
"Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, our Company, the WFOE, Shenzhen iDreamSky and its registered shareholders

"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
"HK$" or "HKD"	Hong Kong dollars, the legal currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Horgos iDreamSky"	Horgos iDreamSky Information Technology Co., Ltd. (霍爾果斯創夢天地信息科技有限公司), a company incorporated in China, and a subsidiary of our Company
"IFRS(s)"	International Financial Reporting Standards
"Instant Sparkle"	Instant Sparkle Limited, a company incorporated in the BVI on January 2, 2018 and wholly-owned by Mr. Lei Junwen
"Instant Sparkle Subscription Agreement"	the subscription agreement dated November 28, 2021 entered into between the Company, Mr. Lei Junwen as guarantor and Instant Sparkle in relation to the subscription of the subscription shares by Instant Sparkle at the subscription price
"IPO"	the global offering of the shares of the Company on December 6, 2018 at a price of HK$6.60 per share, the net proceeds of which was approximately HK$776.4 million, after deducting professional fees, underwriting commissions and other related listing expenses
"IP(s)"	intellectual property(ies)
"Listing Date"	December 6, 2018, being the date on which the shares of the Company became listed and commenced trading on the HKEX
"Listing Rules"	The Rules Governing the Listing of Securities on the HKEX
"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
"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)"	monthly paying users
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, 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
"Prospectus"	the prospectus of the Company dated November 26, 2018
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi, the legal currency of the PRC
"Role-Playing Game" or "RPG(s)"	games in which users assume the roles of characters in a fictional setting
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"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. (深圳市創夢天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company
"Shenzhen iDreamSky Entertainment"	Shenzhen iDreamSky Entertainment Co., Ltd. (深圳市創夢天地娛樂有限公司), a company established in the PRC and a subsidiary of the Company
"Shenzhen Mengyu"	Shenzhen Mengyu Technology Co., Ltd. (深圳市夢域科技有限公司), a company incorporated in China, and a subsidiary of our Company
"HKEX"	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 HKEX under stock code 700
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC and a Consolidated Affiliated Entity of Tencent
"Tencent Group"	Tencent and its subsidiaries
"Tencent Mobility"	Tencent Mobility Limited, incorporated in Hong Kong, a wholly-owned subsidiary of Tencent
"Tencent Subscription Agreement"	the subscription agreement dated November 28, 2021 entered into between the Company and Tencent Mobility in relation to the subscription of the subscription shares by Tencent Mobility at the subscription price
"Tencent Technology"	Tencent Technology (Shenzhen) Co., Ltd, a company incorporated in China, and a subsidiary of Tencent
"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
"WFOE"	Shenzhen Qianhai iDream Technology Co., Ltd. (深圳市前海創夢科技有限公司), a wholly-owned foreign enterprise established in the PRC and a subsidiary of our Company
"%"	per cent