



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

2020
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Xiangyu (*Chairman of the Board and Chief Executive Officer*)
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Lei Junwen (*resigned on August 25, 2020*)

Non-executive Directors

Mr. Ma Xiaoyi
Mr. Du Feng (*resigned on April 24, 2020*)
Mr. Zhang Han (*appointed on April 24, 2020*)
Mr. Yao Xiaoguang (*appointed on August 25, 2020*)
Mr. Chen Yu (*appointed on August 25, 2020*)

Independent Non-executive Directors

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining
Mr. Mao Rui (*appointed on August 25, 2020*)

AUDIT COMMITTEE

Mr. Zhang Weining (*Chairman*)
Mr. Du Feng (*resigned on April 24, 2020*)
Mr. Zhang Han (*appointed on April 24, 2020*)
Ms. Yu Bin
Mr. Li Xintian

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Yu Bin (*Chairman*)
Mr. Jeffrey Lyndon Ko
Mr. Lei Junwen (*resigned on August 25, 2020*)
Mr. Li Xintian
Mr. Zhang Weining

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Chen Xiangyu (*Chairman*)
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Lei Junwen (*resigned on August 25, 2020*)
Mr. Ma Xiaoyi
Mr. Zhang Weining
Mr. Yao Xiaoguang (*appointed on August 25, 2020*)
Mr. Chen Yu (*appointed on August 25, 2020*)
Mr. Mao Rui (*appointed on August 25, 2020*)

AUTHORIZED REPRESENTATIVES

Mr. Lei Junwen (*resigned on August 25, 2020*)
Ms. Leung Suet Lun
Mr. Guan Song (*appointed on August 25, 2020*)

JOINT COMPANY SECRETARIES

Mr. Zhang Heng
Ms. Leung Suet Lun

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

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Shenzhen
Guangdong Province
PRC

Shanghai Pudong Development Bank
Shanghai Lujiazui Branch
Ground floor, Tangceng Finance Building
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Pudong New District
Shanghai
PRC

China Merchants Bank Shenzhen Keyuan Branch
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COMPANY'S WEBSITE

<http://www.idreamsky.com/>

STOCK CODE

1119

DATE OF LISTING

December 6, 2018

Financial Highlights

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

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

On behalf of the Board of the Company, I am pleased to announce the interim results of the Group for the six months ended June 30, 2020 for Shareholders' review.

RESULTS HIGHLIGHT

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

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

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

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

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

BUSINESS REVIEW

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

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

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

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

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

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

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

ENHANCE COOPERATION WITH STRATEGIC INVESTORS IN OFFLINE STORES

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

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

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

OPTIMIZING CAPITAL STRUCTURE

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

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

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

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

SOCIAL RESPONSIBILITIES

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

OUTLOOK

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

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

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

EMBRACE THE CLOUD GAMING WAVE

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

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

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

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

APPRECIATION

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

Chen Xiangyu

Chairman

Hong Kong, August 25, 2020

Management Discussion and Analysis

The following table sets forth the comparative figures for the six months ended June 30, 2020 and 2019:

	Six months ended June 30,	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Revenues	1,591,643	1,431,303
Cost of revenues	(906,850)	(755,700)
Gross profit	684,793	675,603
Selling and marketing expenses	(192,180)	(131,154)
General and administrative expenses	(122,088)	(126,410)
Research and development expenses	(112,489)	(95,641)
Net impairment losses on financial assets and contract assets	(35,845)	(28,555)
Other income	14,033	16,936
Other losses, net	(2,144)	(50,955)
Fair value gains/(losses) on financial assets at fair value through profit or loss	7,434	(5,141)
Operating profit	241,514	254,683
Finance income	4,355	1,140
Finance costs	(48,347)	(22,695)
Finance costs, net	(43,992)	(21,555)
Loss from change in fair value of convertible bonds	(27,748)	—
Share of net losses of investments accounted for using the equity method	(2,450)	(253)
Profit before income tax	167,324	232,875
Income tax expense	(19,458)	(22,638)
Profit for the period	147,866	210,237
Adjusted profit for the period (unaudited)	215,378	312,104

REVENUES

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

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

- Game revenue.** The largest portion of revenues is derived from our games, which contributed 87.2% and 88.1% of our total revenues for the six months ended June 30, 2020 and 2019, respectively. The increase in game revenue from RMB1,261.4 million for the six months ended June 30, 2019 to RMB1,387.7 million for the six months ended June 30, 2020 was primarily due to the solid performance of our high-grossing games, including Cross Gate (Mobile version) (魔力寶貝(手機版)), FIFPro World Players' Union (全民冠軍足球), Gardenscapes (夢幻花園), Homescapes (夢幻家園) and Decisive Battle against Marfa (決戰瑪法).

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

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

* Our key operating metrics included data from all games published and operated by us. During the six months ended June 30, 2020, Cross Gate (Mobile version) (魔力寶貝(手機版)) and FIFPro World Players' Union (全民冠軍足球) were the only two games not published or operated by us, which were published and operated by Tencent.

- MAUs.** Our average MAUs increased from 130.1 million for the six months ended June 30, 2019 to 142.0 million for the six months ended June 30, 2020, which was primarily contributed by the increase in the popularity of mobile games we offered.
- MPUs.** Our average MPUs increased from 5.8 million for the six months ended June 30, 2019 to 6.2 million for the six months ended June 30, 2020 in line with the increase of MAU.
- Monthly ARPPU.** Our monthly ARPPU increased from RMB31.7 for the six months ended June 30, 2019 to RMB35.5 for the six months ended June 30, 2020, primarily due to the launch of more mid-and hardcore games which could generate higher ARPPU.
- Information service revenue.** Our information service revenue is primarily derived from our in-game advertising services. The increase in information service revenue from RMB160.5 million for the six months ended June 30, 2019 to RMB200.4 million for the six months ended June 30, 2020 was primarily the result of (i) our increased in-game advertisement slots which generated from our publishing games and other games or apps proxy from third parties; and (ii) the higher rates charged to advertisers or advertising agents as a result of the market conditions during this period.

- **Other revenue.** Other revenue decreased from RMB9.4 million for the six months ended June 30, 2019 to RMB3.6 million for the six months ended June 30, 2020. Our other revenue is primarily derived from (i) our fund management fees; (ii) revenue generated from Great Moments Voyage.

COST OF REVENUES

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

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

SELLING AND MARKETING EXPENSES

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

RESEARCH AND DEVELOPMENT EXPENSES

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

FINANCE COSTS

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

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

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

OTHER LOSSES, NET

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

INCOME TAX EXPENSE

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

PROFIT FOR THE PERIOD

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

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

OTHER FINANCIAL INFORMATION

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

Notes:

- (1) Adjusted profit for the period was derived from our profit for the period excluding share-based compensation expenses, fair value losses on convertible bonds, fair value gains or losses on financial assets, impairment provision of goodwill resulting from a business combination and gain from the reversal of the unpaid consideration payables from a business combination, if any.
- (2) EBITDA is net income or loss before interest, taxes, depreciation and amortization.
- (3) Adjusted EBITDA is calculated using adjusted profit for the period, adding back depreciation of property and equipment, amortization of intangible assets, income tax expense and interest expenses.

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL MEASURES

To supplement the consolidated financial statements of the Group prepared in accordance with IFRS, the three non-IFRS measures, namely adjusted profit for the period, EBITDA and adjusted EBITDA, as additional financial measures, have been presented in this interim results announcement. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

We present non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. By excluding certain expenses, gain/(loss) and other items that are not expected to result in future cash payments or that are non-recurring in nature or may not be indicative of our core operating results and business outlook, we believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information regarding the Group's financial performance to investors and Shareholders of the Company. The Company's management also believes that the non-IFRS measures are appropriate for evaluating the Group's operating results and the relevant trends relating to its financial position. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Reconciliation of profit for the period to adjusted profit for the period:		
Profit for the period	147,866	210,237
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	(7,434)	5,141
Add: Share-based compensation expenses	47,198	41,503
Add: Fair value losses on convertible bonds	27,748	—
Add: Impairment provision of goodwill resulting from a business combination	—	350,134
Add: (Gain) from the reversal of the unpaid consideration payables from a business combination	—	(294,911)
Adjusted profit for the period	215,378	312,104
Reconciliation of profit for the period to EBITDA and adjusted EBITDA:		
Profit for the period	147,866	210,237
Add: Depreciation of property, plant and equipment, right-of-use assets and investment property	15,920	16,049
Add: Amortization of intangible assets	75,065	65,006
Add: Income tax expense	19,458	22,638
Add: Interest expense	46,426	22,695
EBITDA	304,735	336,625
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	(7,434)	5,141
Add: Share-based compensation expenses	47,198	41,503
Add: Fair value losses on convertible bonds	27,748	—
Add: Impairment provision of goodwill resulting from a business combination	—	350,134
Add: (Gain) from the reversal of the unpaid consideration payables from a business combination	—	(294,911)
Adjusted EBITDA	372,247	438,492

LIQUIDITY AND FINANCIAL RESOURCES

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

As at June 30, 2020, the Group's total cash and cash equivalents increased by 26.8% to approximately RMB675.4 million from approximately RMB532.7 million as at December 31, 2019. The increase in total cash and cash equivalents during the period under review was primarily resulted from the cash inflow from operating activities and proceeds from issue of convertible bonds. Our cash and cash equivalents were primarily denominated in RMB, HKD, EUR and USD.

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

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

Debt ratio is calculated based on our total liabilities as at the respective date divided by our total assets as at the same date. As at June 30, 2020, the debt ratio of the Group was 40.1% as compared with 35.2% as at December 31, 2019.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, amount due to related parties, lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As at June 30, 2020, the gearing ratio of the Group is 29.0% (December 31, 2019: 20.5%).

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE

For the six months ended June 30, 2020, our total capital expenditure was approximately RMB336.2 million, compared to RMB377.3 million for the six months ended June 30, 2019. Our capital expenditure primarily included expenditures for license fees paid to game developers, right-of-use assets, construction in progress and purchase of property, plant and equipment. We plan to fund our capital expenditures through our operating cash flows. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

We did not hedge against any fluctuations in foreign currency during the six months ended June 30, 2020 and 2019.

EMPLOYEE AND REMUNERATION POLICY

We had 915 and 1,022 full-time employees as at June 30, 2020 and December 31, 2019, respectively. Substantially all of our employees are based in the PRC.

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

Other information

A listed issuer shall include, but not limited to the following information, in its interim report in respect of the Group:

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions since the Listing Date. Having made specific enquiries with the Directors, all of the Directors confirmed that he/she have complied with the required standards as set out in the Model Code during the six months ended June 30, 2020.

INTERIM DIVIDEND

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

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which mainly comprised of independent non-executive Directors, namely Mr. Zhang Weining (Chairman), Ms. Yu Bin and Mr. Li Xintian, and a non-executive director, Mr. Zhang Han. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The Audit Committee, together with the Auditor has reviewed the Group's consolidated interim results for the six months ended June 30, 2020. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

CHANGES TO DIRECTORS' INFORMATION

Due to the work reassignment, Mr. Du Feng has resigned as a non-executive Director and a member of the Audit Committee, and Mr. Zhang Han has been appointed as a non-executive Director and a member of the Audit Committee with effect from April 24, 2020.

Due to work reallocation, Mr. Lei Junwen has resigned as an executive Director, a member of the strategy committee and the remuneration and appraisal committee of the Company and the authorised representative of the Company. Each of Mr. YAO Xiaoguang and Mr. CHEN Yu has been appointed as a non-executive Director and a member of the strategy committee of the Company and Mr. MAO Rui has been appointed as an independent non-executive Director and a member of the strategy committee of the Company with effect from August 25, 2020.

Save as disclosed herein, 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 as of the issuance date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

USE OF PROCEEDS

The IPO Proceeds from the listing of the Shares of the Company on the Main Board of the Stock Exchange were approximately HKD776.4 million. During the six months ended June 30, 2020, the IPO Proceeds were utilized in accordance with the intended purposes as set out in the Prospectus, with the balance amounted to approximately HKD152.4 million. The balance of IPO Proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus. Details are set out in the following table:

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

Notes:

(1) The relevant unutilized amounts will be used up by the end of year 2021.

USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS

On November 26, 2019, the Company and Poly Platinum Enterprises Limited entered into a subscription agreement, pursuant to which the Company agreed to issue to Poly Platinum Enterprises Limited the convertible bonds in the principal amount of US\$30,000,000. The convertible bonds are convertible into Shares of the Company, and the initial conversion price was set at HK\$4.69 per Share. The issue of the convertible bonds was completed on January 3, 2020.

Poly Platinum Enterprises Limited is an investment holding company incorporated in British Virgin Islands with limited liability on November 9, 2018. It is a wholly-owned subsidiary of Greater Bay Area Homeland Development Fund LP, whose key focus industries include biotechnology, artificial intelligence, cloud computing and big data sectors in the Greater Bay Area. Greater Bay Area Homeland Development Fund LP is controlled by Greater Bay Area Homeland Development Fund (GP) Limited as general partner, managed by Greater Bay Area Development Fund Management Limited.

For further details of the issue of the convertible bonds, please refer to the Company's announcements dated November 26, 2019 and January 3, 2020. The net proceeds from the issue of convertible bonds by the Company to Poly Platinum Enterprises Limited ("**CB Proceeds**") were approximately RMB204.6 million. The Company intends to use the CB Proceeds to further expand its game portfolio and enrich its contents offerings, conduct strategic acquisition and supplement its working capital.

The actual net amount of CB Proceeds utilized in accordance with the intended purposes was approximately RMB51.1 million in the first half of 2020, and the unutilized amount as at June 30, 2020 was RMB153.5 million. The balance of CB Proceeds will continue to be utilized for the intended purposes, and will be used up in the next two years. Details of the actual utilized amount are set out in the following table:

	Actual net amount utilized during the six months ended June 30, 2020 <i>RMB'000</i>
Expansion of our game portfolio and enrich our contents offerings	34,600
Strategic acquisition	—
Supplement working capital	<u>16,530</u>
Total	<u>51,130</u>

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

As at June 30, 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

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

Notes:

- (1) The percentages are calculated on the basis of 1,269,718,990 shares of the Company (the "Shares") in issue as at June 30, 2020.
- (2) Brilliant Seed Limited is wholly owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed Limited.
- (3) Bubble Sky Limited is wholly owned by Mr. Guan, who is therefore deemed to be interested in the Shares held by Bubble Sky Limited.
- (4) Shipshape Holdings Limited is wholly owned by Mr. Ko, who is therefore deemed to be interested in the Shares held by Shipshape Holdings Limited.
- (5) Instant Sparkle Limited is wholly owned by Mr. Lei, who is therefore deemed to be interested in the Shares held by Instant Sparkle Limited. Mr. Lei resigned as an executive Director with effect from August 25, 2020.
- (6) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (7) The letter "L" denotes the person's long position in such Shares.

(ii) Interest in associated corporations

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

Save as disclosed above, as at June 30, 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at June 30, 2020, 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⁾	Approximate percentage of interest in the Company ⁽¹⁾⁽⁶⁾
Brilliant Seed Limited ⁽²⁾	Beneficial owner	242,870,430(L)	19.13%
Mr. Chen ⁽²⁾	Interest of controlled corporation	242,870,430(L)	19.13%
Tencent Mobility Limited ⁽³⁾	Beneficial owner	235,999,300(L)	18.59%
Tencent Holdings Limited ⁽³⁾	Interest of controlled corporation	235,999,300(L)	18.59%
iDreamSky Technology Limited ⁽⁴⁾	Beneficial owner	190,599,375(L)	15.01%
Dream Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	190,599,375(L)	15.01%
Dream Technology Holdings Limited ⁽⁴⁾	Interest of controlled corporation	190,599,375(L)	15.01%
Poly Platinum Enterprises Limited ⁽⁵⁾	Beneficial owner	89,050,352(L)	7.01%

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares held ⁽⁷⁾	Approximate percentage of interest in the Company ⁽¹⁾⁽⁶⁾
Greater Bay Area Homeland Development Fund (GP) Limited ⁽⁵⁾	Interest of controlled corporation	89,050,352(L)	7.01%
Greater Bay Area Homeland Investments Limited ⁽⁵⁾	Interest of controlled corporation	89,050,352(L)	7.01%

Notes:

- (1) The percentages are calculated on the basis of 1,269,718,990 shares of the Company (the “**Shares**”) in issue as at June 30, 2020.
- (2) Brilliant Seed Limited is wholly owned by Mr. Chen Xianyu (“**Mr. Chen**”). Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed Limited.
- (3) Tencent Mobility Limited is a wholly owned subsidiary of Tencent Holdings Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Mobility Limited.
- (4) iDreamSky Technology Limited is wholly owned by Dream Investment Holdings Limited, which is an exempted company incorporated with limited liabilities in Cayman Islands and is in turn wholly owned by Dream Technology Holdings Limited. None of the shareholders of Dream Technology Holdings Limited hold one third or more of the shareholding of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.
- (5) Poly Platinum Enterprise Limited is wholly owned by Greater Bay Area Homeland Development Fund LP, which is managed by Greater Bay Area Development Fund Management Limited. Greater Bay Area Homeland Development Fund (GP) Limited is the general partner of Greater Bay Area Homeland Development Fund LP. Greater Bay Area Homeland Development Fund (GP) Limited is in turn wholly owned by GBA Homeland Limited which is wholly owned by Greater Bay Area Homeland Investments Limited. Under the SFO, Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Homeland Investments Limited are deemed to be interested in the Shares held by Poly Platinum Enterprise Limited.
- (6) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (7) The letter “L” denotes the person’s long position in such Shares.

Save as disclosed above, as at June 30, 2020, 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 June 30, 2020, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding share option scheme.

RSU PLAN

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

Purpose

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

Eligible Participants

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

Maximum Number of Shares

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

Administration

The RSU Plan shall be subject to the administration of the administrator, being Ms. Chen Xiangjiao (or other members appointed by the Board) (the “**Administrator**”) to administer the RSU Plan. The Administrator may, from time to time, select the Participants to whom a grant of a restricted stock unit (the “**Awards**”) may be granted.

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

Award of RSUs

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

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

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

- (a) a grant of Award must not be made after inside information has come to the knowledge of the Administrator until such inside information has been announced in accordance with the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any such year, half-year, quarter or interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;
- (b) a grant of Award to a Director shall not be made on any day on which the financial results of our Company are published and during the period of (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) 30 days immediately preceding the publication date of any quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results;
- (c) a grant of Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to prior approval of the independent non-executive Directors (except the independent non-executive Director who is the proposed grantee in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. However, if the Award forms part of the relevant Director's remuneration under his service contract, the grant of Award to such Director will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules. Awards shall not be assignable or transferable, except for (i) assignment or transfer from a grantee to a company wholly owned by him or between two companies both of which are wholly owned by him; or (ii) following the grantee's death, transfer by will or by the laws of testacy and distribution.

Details of the RSUs granted under the RSU Plan

As at June 30, 2020, the aggregate number of shares underlying RSUs granted under the RSU Plan was 74,490,862* shares and the aggregate number of shares underlying RSUs vested and forfeit under the RSU Plan was 38,036,828* and 2,654,337* shares. Any vested or unvested RSUs or any share underlying any RSUs shall not be transferred or sold before the Listing and during the period of six months following the Listing Date.

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

As at December 31, 2019, RSUs in respect of 55,675,776* shares were granted to Participants (who are not our Directors, senior management and the associates). During the six months ended June 30, 2020, RSU Holding Entities granted an aggregate of 5,792,966* shares to Participants (who are not our Directors, senior management and their associates), 2,488,767* shares of which are attached with certain vesting conditions.

RSUs granted to our Directors, senior management and their associates

As at June 30, 2020, no RSUs were granted to our Directors under the RSU Plan. RSUs in respect of 1,594,650* shares were granted to an associate of our Directors on July 1, 2018, and all such RSUs were vested on the same date.

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

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

Report on Review of Interim Financial Information

To the Board of Directors of iDreamSky Technology Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 75, which comprises the interim condensed consolidated statement of financial position of iDreamSky Technology Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 25, 2020

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months period ended June 30, 2020

	Notes	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenues	7	1,591,643	1,431,303
Cost of revenues	8	(906,850)	(755,700)
Gross profit		684,793	675,603
Selling and marketing expenses	8	(192,180)	(131,154)
General and administrative expenses	8	(122,088)	(126,410)
Research and development expenses	8	(112,489)	(95,641)
Net impairment losses on financial assets and contract assets	8	(35,845)	(28,555)
Other income		14,033	16,936
Other losses, net	9	(2,144)	(50,955)
Fair value gains/(losses) on financial assets at fair value through profit or loss	17	7,434	(5,141)
Operating profit		241,514	254,683
Finance income	10	4,355	1,140
Finance costs	10	(48,347)	(22,695)
Finance costs, net	10	(43,992)	(21,555)
Loss from change in fair value of convertible bonds	24	(27,748)	—
Share of net losses of investments accounted for using the equity method	16	(2,450)	(253)
Profit before income tax		167,324	232,875
Income tax expense	11	(19,458)	(22,638)
Profit for the period		147,866	210,237
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Currency translation differences		21,723	939
Items that will not be reclassified to profit or loss			
— Currency translation differences		(18,878)	(1,757)
Total comprehensive income for the period		150,711	209,419

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months period ended June 30, 2020

	Notes	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit for the period attributable to:			
— Equity holders of the Company		136,986	178,227
— Non-controlling interests		10,880	32,010
		147,866	210,237
Total comprehensive income attributable to:			
— Equity holders of the Company		139,831	177,409
— Non-controlling interests		10,880	32,010
		150,711	209,419
Earnings per share			
— Basic earnings per share (in RMB)	12	0.11	0.15
— Diluted earnings per share (in RMB)	12	0.11	0.14

The accompanying notes on pages 33 to 75 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2020

	Notes	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	28,988	31,712
Construction in progress	13	6,355	—
Intangible assets	13	1,625,405	1,419,264
Investment properties	14	25,625	26,012
Right-of-use assets	15	119,460	46,177
Investments accounted for using the equity method	16	420,806	406,708
Financial assets at fair value through profit or loss	17	345,730	354,320
Prepayments and other receivables	19	225,530	79,014
Goodwill	13	566,902	566,902
Contract asset		3,229	4,131
Deferred tax assets		52,435	51,483
		3,420,465	2,985,723
Current assets			
Trade receivables	18	1,296,643	1,005,256
Amounts due from related parties	28	18,574	8,523
Prepayments and other receivables	19	1,158,928	1,285,881
Contract asset		1,963	2,122
Contract costs		167,222	151,967
Financial assets at fair value through profit or loss	17	125,651	114,544
Restricted cash	23	51,787	—
Cash and cash equivalents		675,387	532,746
		3,496,155	3,101,039
Total assets		6,916,620	6,086,762
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	75	75
Share premium	20	2,542,476	2,542,476
Reserves	21	446,324	379,654
Retained earnings		755,712	635,353
		3,744,587	3,557,558
Non-controlling interests		398,915	388,035
Total equity		4,143,502	3,945,593

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2020

	<i>Notes</i>	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	23	816,512	254,148
Lease liabilities	15	17,179	26,559
Convertible bonds	24	235,611	—
Deferred government grants		2,257	2,417
		1,071,559	283,124
Current liabilities			
Borrowings	23	820,300	1,016,291
Lease liabilities	15	20,411	22,366
Trade payables	25	203,202	160,793
Amounts due to related parties	28	18,949	21,159
Other payables and accruals	26	324,279	317,045
Income tax liabilities		39,118	45,480
Deferred government grants		5,400	9,452
Contract liabilities		269,900	265,459
		1,701,559	1,858,045
Total liabilities		2,773,118	2,141,169
Total equity and liabilities		6,916,620	6,086,762

The accompanying notes on pages 33 to 75 form an integral part of this interim financial information.

On behalf of the Board

Chen Xiangyu
Director

Guan Song
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months period ended June 30, 2020

(Unaudited)	Notes	Attributable to equity holders of the Company							Non-controlling interests	Total Equity	
		Share Capital	Share premium	Capital reserve	Statutory reserves	Translation differences	Other reserves	Retained earnings			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2020		75	2,542,476	16,100	79,527	33,525	250,502	635,353	3,557,558	388,035	3,945,593
Profit for the period		—	—	—	—	—	—	136,986	136,986	10,880	147,866
Other comprehensive income											
— Currency translation differences		—	—	—	—	2,845	—	—	2,845	—	2,845
Total comprehensive income for the period		—	—	—	—	2,845	—	136,986	139,831	10,880	150,711
Transactions with owners											
Profit appropriation to statutory reserves	21	—	—	—	16,627	—	—	(16,627)	—	—	—
Share-based compensation expenses	22	—	—	—	—	—	47,198	—	47,198	—	47,198
Total transactions with owners recognized directly in equity for the period		—	—	—	16,627	—	47,198	(16,627)	47,198	—	47,198
Balance at June 30, 2020		75	2,542,476	16,100	96,154	36,370	297,700	755,712	3,744,587	398,915	4,143,502

The accompanying notes on pages 33 to 75 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months period ended June 30, 2020

(Unaudited)	Notes	Attributable to equity holders of the Company							Total	Non-controlling interests	Total Equity
		Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
Balance at January 1, 2019		75	2,542,476	16,100	32,749	33,236	172,467	329,898	3,127,001	51,105	3,178,106
Profit for the period		—	—	—	—	—	—	178,227	178,227	32,010	210,237
Other comprehensive income											
— Currency translation differences		—	—	—	—	(818)	—	—	(818)	—	(818)
Total comprehensive income for the period		—	—	—	—	(818)	—	178,227	177,409	32,010	209,419
Transactions with owners											
Capital reduction from equity holders of the Company's subsidiary		—	—	—	—	—	—	—	—	70,000	70,000
Capital injection from equity holders of the Company	21	—	—	—	14,702	—	—	(14,702)	—	—	—
Share-based compensation expenses		—	—	—	—	—	41,503	—	41,503	—	41,503
Total transactions with owners recognized directly in equity for the period	21	—	—	—	14,702	—	41,503	(14,702)	41,503	70,000	111,503
Transaction with non-controlling shareholder		—	—	—	—	—	152,066	—	152,066	47,433	199,499
Balance at June 30, 2019		75	2,542,476	16,100	47,451	32,418	366,036	493,423	3,497,979	200,548	3,698,527

The accompanying notes on pages 33 to 75 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months period ended June 30, 2020

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months period ended June 30, 2020

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

The accompanying notes on pages 33 to 75 form an integral part of this interim financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

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 the licensing, operating and developing of mobile games in the People’s Republic of China (the “**PRC**” or “**China**”).

The Company has its primary listing on the Stock Exchange of Hong Kong Limited on December 6, 2018.

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

2 BASIS OF PRESENTATION AND PREPARATION

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

For the six months period ended June 30, 2020

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Accounting policy for convertible bonds

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

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

(b) Change in accounting policy

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended June 30, 2020.

For the six months period ended June 30, 2020

4 FINANCIAL RISK MANAGEMENT (Continued)**(b) Liquidity risk**

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000	Total RMB'000
(Unaudited)					
As at June 30, 2020					
Borrowings	846,476	216,506	615,288	—	1,678,270
Trade payables	203,202	—	—	—	203,202
Convertible bonds	—	—	235,611	—	235,611
Other payables and accruals (excluding advance, accrued payroll and other taxes payables)	233,584	—	—	—	233,584
Total	1,283,262	216,506	850,899	—	2,350,667
(Audited)					
As at December 31, 2019					
Borrowings	1,048,326	115,833	152,039	—	1,316,198
Trade payables	160,793	—	—	—	160,793
Other payables and accruals (excluding advance, accrued payroll and other taxes payables)	243,657	—	—	—	243,657
Total	1,452,776	115,833	152,039	—	1,720,648

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Capital managements

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

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

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, amount due to related parties, convertible bonds and 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, 2019, and June 30, 2020, the gearing ratio of the Group is 20.5% and 29.0% respectively.

(d) Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at December 31, 2019 and June 30, 2020 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).

The following table presents the Group's assets that are measured at fair value as at December 31, 2019 and June 30, 2020.

(Unaudited)					
As at June 30, 2020	<i>Notes</i>	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Assets:					
Financial assets at fair value through profit or loss	17	177,535	—	293,846	471,381
Liabilities:					
Convertible bonds	24	—	—	235,611	235,611

For the six months period ended June 30, 2020

4 FINANCIAL RISK MANAGEMENT (Continued)**(d) Fair value estimation** (Continued)**(Audited)****As at December 31, 2019**

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets:				
Financial assets at fair value through profit or loss	161,841	—	307,023	468,864

The following table presents the movement in level 3 financial assets for the six months ended June 30, 2020:

	Six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At the beginning of the period	307,023	267,506
Additions	2,124	56,875
Disposals	(5,791)	—
Changes in fair value	(10,440)	(28,929)
Currency translation difference	930	80
Balance at June 30, 2020	293,846	295,532

The following table presents the movement in level 3 financial liabilities for the six months ended June 30, 2020:

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

For the six months period ended June 30, 2020

4 FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

There was no transfer between level 1 and 2 for recurring fair value measurements. There were also no changes made to any of the valuation techniques applied during the six months ended June 30, 2019 and 2020.

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.

For the six months period ended June 30, 2020

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

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of financial liabilities:

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2019 Financial Statements, except for the following fair value measurement of convertible bonds.

Fair value measurement of convertible bonds

Convertible bonds issued by the Group are not traded in active market, and its fair value is determined by using valuation techniques. The Group determines the fair value of convertible bonds by using binomial model and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 4(d).

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

6 SEGMENT INFORMATION

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

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

7 REVENUES

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

The timings of revenues recognition by category is as follows:

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

There are two kinds of unsatisfied performance obligations as at June 30, 2020.

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 an average playing period of the paying players. The amount of such unsatisfied performance obligations had been reflected in contract liabilities as at the end of the reporting period.

For the six months period ended June 30, 2020

7 REVENUES (Continued)

The other one is the mobile game development service 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.

8 EXPENSES BY NATURE

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

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Channel costs	634,101	506,267
Employee benefits expenses	189,190	149,878
Promotion and advertising expenses	186,965	126,047
Content costs	175,045	162,573
Amortization of intangible assets (Note 13)	75,065	65,006
Impairment provisions for intangible assets (Note 13)	4,922	21,500
Outsourcing expenses for technical services	6,329	26,328
Travelling and entertainment expenses	6,025	9,807
Professional service fees	18,552	6,689
Cloud computing, bandwidth and server custody fees	12,337	10,928
Rental expenses	1,069	2,084
Impairment provisions for receivables	35,441	29,676
Depreciation of property, plant and equipment (Note 13)	4,500	4,383
Depreciation of right-of-use assets (Note 15)	11,033	11,666
Depreciation of investment property (Note 14)	387	286
Other tax expenses	3,067	1,341
Others	5,424	3,001
Total cost of revenues, selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets and contract assets	1,369,452	1,137,460

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

9 OTHER LOSSES, NET

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net (losses)/gains on disposal of property, plant and equipment	(72)	43
Gains on disposal of subsidiaries	595	6,119
Losses on disposal of financial assets	(1,516)	(1,429)
Goodwill impairment (Note 13)	—	(350,134)
Gain from the reversal of the unpaid consideration payables from the acquisition of Shanghai Huohun Internet Technology Co., Ltd. (“Shanghai Huohun”) (Note a)	—	294,911
Others	(1,151)	(465)
	(2,144)	(50,955)

- (a) According to the agreement for acquisition of Shanghai Huohun (“Shanghai Huohun SPA”), if the pre-determined profit target amount of RMB300,000,000 is not achieved by Shanghai Huohun from June 1, 2018 to May 31, 2019 (“Performance Appraisal Period”), the sellers should compensate the Group according to the pre-determined mechanism/formula. The net profit of Shanghai Huohun during the Performance Appraisal Period was RMB210,000,000. Under the compensation mechanism pursuant to the Shanghai Huohun SPA, the Group has the right to acquire the remaining 30% equity interest of Shanghai Huohun at the consideration of RMB1. On May 3, 2019, the Group and the sellers entered into a supplemental agreement to receive a cash compensation from the sellers instead of acquisition of 30% equity interest, which can offset the unpaid consideration to sellers. Pursuant to the supplemental agreement, the compensation is RMB315,000,000. The difference of RMB294,911,000 between RMB315,000,000 and amount of contingent consideration assets of RMB20,089,000 recognized at the acquisition date and was recognized as other gain for the six months ended June 30, 2019.

For the six months period ended June 30, 2020

10 FINANCE COSTS, NET

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Finance costs		
— Interest expenses	(45,257)	(20,739)
— Exchange losses	(2,056)	—
— Interest expenses on lease liabilities	(1,169)	(1,956)
	(48,482)	(22,695)
Amount capitalised	135	—
Finance costs expensed	(48,347)	(22,695)
Finance income:		
— Interest income on bank deposits	4,355	1,130
— Exchange gains	—	10
	4,355	1,140
Finance costs, net	(43,992)	(21,555)

11 TAXATION

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

(a) Cayman Islands corporate income tax

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

(b) Hong Kong profits tax

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

For the six months period ended June 30, 2020

11 TAXATION (Continued)

(c) PRC Enterprise Income Tax (“EIT”)

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

In 2019, 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 3-year period from 2019 to 2021 according to the preferential tax treatment applicable to the HNTE.

Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. and Shenzhen Qianhai iDream Technology Co., Ltd (“**Qianhai iDream**”) were established in Qianhai, Bonded Zone of Shenzhen in October 2014 and April 2018 respectively, which were subject to an applicable tax rate of 15%, as they met the requirements set out by local authorities for the preferential tax rate.

Horgos iDreamSky Information Technology Co., Ltd. (“**Horgos iDreamSky**”) was established in Horgos Development Zone of Xinjiang in June 2016, which was exempt from EIT from the first year of operation for a 5-year period according to the regulations set out by the local authorities. Since Horgos iDreamSky operated in 2016, the tax exemption period commenced from the year of 2016.

Shanghai Huohun acquired the qualification of Software Enterprise in 2019 and is entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from its first profitable year of 2019 according to an announcement released by tax bureau in May 2019.

Shanghai Shengting Information Technology Co., Ltd (“**Shanghai Shengting**”) acquired the qualification of Software Enterprise in 2018, and was tax exempted from EIT in 2018 and 2019. From 2020 to 2022, Shanghai Shengting is subject to 50% reduction of applicable tax rates.

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

(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%.

For the six months period ended June 30, 2020

11 TAXATION (Continued)**(d) PRC Withholding Tax (“WHT”)** (Continued)

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

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

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

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

	Six months ended June 30,	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Profit before income tax	167,324	232,875
Tax calculated at 25%	41,831	58,219
Tax effects of:		
— Preferential income tax rates applicable to subsidiaries	(31,678)	(55,887)
— Income not subject to tax	(3,306)	—
— Tax losses for which no deferred income tax asset was recognized	17,092	7,271
— Expenses not deductible for income tax purposes	11,648	26,432
— Super deduction for research and development expenses	(16,129)	(12,851)
— Utilization of previously unrecognized tax losses	—	(546)
Income tax expense	19,458	22,638

For the six months period ended June 30, 2020

12 EARNINGS PER SHARE AND DIVIDENDS**(a) Earnings per share****(i) Basic**

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

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective period.

(ii) Diluted

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

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

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

For the six months period ended June 30, 2020

12 EARNINGS PER SHARE AND DIVIDENDS (Continued)**(b) Dividends**

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

13 PROPERTY, PLANT AND EQUIPMENT (PP&E), CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL

	PP&E <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Intangible assets <i>RMB'000</i> <i>(Note a)</i>	Goodwill <i>RMB'000</i> <i>(Note b)</i>
(Unaudited)				
Six months ended June 30, 2020				
Opening net book amount	31,712	—	1,419,264	566,902
Additions	1,896	6,355	286,128	—
Disposals	(120)	—	—	—
Depreciation/amortisation charge	(4,500)	—	(75,065)	—
Impairment	—	—	(4,922)	—
Closing net book amount	28,988	6,355	1,625,405	566,902
(Unaudited)				
Six months ended June 30, 2019				
Opening net book amount	26,893	—	682,702	989,233
Additions	8,181	—	357,338	—
Disposals	(477)	—	—	—
Depreciation/amortisation charge	(4,383)	—	(65,006)	—
Impairment	—	—	(21,500)	(350,134)
Closing net book amount	30,214	—	953,534	639,099

As at December 31, 2019 and June 30, 2020, the Group's properties with net book amounts of RMB8,266,000 and RMB8,057,000 respectively were pledged to a bank to secure certain banking borrowings of the Group (Note 23).

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

Except for below, there was no indication of impairment for property, plant and equipment, construction in progress, and other intangible assets.

For the six months period ended June 30, 2020

13 PROPERTY, PLANT AND EQUIPMENT (PP&E), CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL (Continued)

(a) Impairment for intangible assets

During the six months ended June 30, 2020, the impairment loss on intangible assets of RMB4,922,000 were charged to statement of comprehensive income under “General and administrative expenses”, resulting from identified impairment indicators existing for the Group’s game intellectual properties and licenses, i.e. the remaining period of licensed games, the performance of those launched games and etc.

(b) Impairment test for goodwill

On August 7, 2018, the Group acquired 70% of the issued share capital of Shanghai Huohun, an internet technology company mainly engaged in developing mobile games in mainland China. The goodwill amounting to RMB989,233,000 arising from the acquisition of 70% equity interests in Shanghai Huohun.

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

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

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

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

For the six months period ended June 30, 2020

13 PROPERTY, PLANT AND EQUIPMENT (PP&E), CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL (Continued)

(b) Impairment test for goodwill (Continued)

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

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

14 INVESTMENT PROPERTY

	Investment property RMB'000 (Unaudited)
Six months ended June 30, 2020	
Opening net book amount	26,012
Depreciation charge (Note 8)	(387)
Closing net book amount	25,625
Six months ended June 30, 2019	
Opening net book amount	—
Additions	26,657
Depreciation charge (Note 8)	(286)
Closing net book amount	26,371

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

14 INVESTMENT PROPERTY (Continued)

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

15 LEASES

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Right-of-use assets		
Buildings	36,538	46,177
Land use right	82,922	—
	119,460	46,177
Lease liabilities		
Current	20,411	22,366
Non-current	17,179	26,559
	37,590	48,925

Additions to the right-of-use assets during the six months ended June 30, 2020 were RMB84,250,000 (for the year ended December 31, 2019: RMB23,830,000).

For the six months period ended June 30, 2020

15 LEASES (Continued)**(b) Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts relating to leases:

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Depreciation charge of right-of-use assets		
Buildings	10,307	11,666
Land use right	726	—
	11,033	11,666
Interest expense (included in finance cost)	1,169	1,956
Expense relating to short-term leases (included in cost of revenues and general and administrative expenses)	23	23

The total cash outflow for leases during the six months ended June 30, 2020 was RMB55,096,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and shops. Rental contracts are typically made for fixed periods of 9 months to 5 years and a half, but may have extension options as described in (e) below.

(d) 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 10% to 20%. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(e) 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Associates (a)	327,602	316,888
Joint ventures (b)	93,204	89,820
	420,806	406,708

(a) Investments in associates

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At the beginning of the period	316,888	207,836
Additions	11,000	41,800
Disposals	(229)	(270)
Share of losses of the associates	(627)	(215)
Currency translation differences	570	54
At the end of the period	327,602	249,205

The Group directly hold ordinary shares of the associates. As at December 31, 2019 and June 30, 2020, the Group invested in 18 associates. The share of profits of the associates was not material to the Group. Therefore, in the opinion of the directors, none of the associates is material to the Group.

The Group acquired certain associates and made additional investments in existing associates, with an aggregate amount of RMB41,800,000 and RMB11,000,000 during the six months ended June 30, 2019 and 2020, respectively. These associates are principally engaged in online game business and other internet-related businesses.

For the six months period ended June 30, 2020

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**(a) Investments in associates** (Continued)

Set out below are the top 5 associates of the Group as at June 30, 2020 and as at December 31, 2019.

Name	Place of incorporation	Registered Capital	Percentage of ownership interest attributable to the Group		Principal activities
			December 31, 2019	June 30, 2020	
Beijing Weibo Technology Development Co., Ltd.	Beijing	204,000	10.72%	10.72%	Software business
Nanjing Chuangyi Qiaokang Equity Investment Partnership Enterprise (Limited Partnership)	Nanjing	200,000,000	49.50%	49.50%	Financing
Anhui Sichuang Sports Development Co. Ltd	Anhui	6,250,000	22.00%	22.00%	Culture, sports and entertainment
Zhejiang Yiyou Internet Technology Co., Ltd	Zhejiang	13,952,000	10.00%	10.00%	Software business
JTEA, INC.	Delaware	4,724	30.00%	30.00%	Software business

(b) Investments in joint ventures

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
At the beginning of the period	89,820	77,060
Additions	5,000	—
Share of losses of the joint ventures	(1,823)	(38)
Currency translation differences	207	—
At the end of the period	93,204	77,022

Set out below are the joint ventures of the Group as at December 31, 2019 and June 30, 2020. 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.

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16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investments in joint ventures (Continued)

Name	Place of incorporation	Registered Capital	Percentage of ownership interest attributable to the Group		Principal activities
			December 31, 2019	June 30, 2020	
Tianjin Lewei Shidai Culture Development Co. Ltd.	Tianjin	10,000,000	49%	49%	Film and television program planning
Tianjin Wenmeng Interactive Entertainment Co. Ltd.	Tianjin	10,000,000	50%	50%	Intellectual property development and operation
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Shenzhen	104,000,000	50%	50%	Venture capital business
Dreamwalk Technologies Limited	Hong Kong	13,952,000	30%	30%	Software business
Shenzhen Mengzuofang Technology Limited	Shenzhen	1,000,000	—	37.5%	Software business

For the six months period ended June 30, 2020

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Included in non-current assets		
At the beginning of the period	354,320	267,506
Additions	2,124	56,875
Changes in fair value	(1,926)	—
Disposal	(10,440)	(28,929)
Currency translation differences	1,652	80
At the end of the period	345,730	295,532
Included in current assets		
At the beginning of the period	114,544	87,547
Changes in fair value	9,360	(5,141)
Currency translation differences	1,747	69
At the end of the period	125,651	82,475

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

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

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

As at June 30, 2020, the Group's investment in listed shares that traded on the HKEX of RMB51,884,000 were pledged to a financial institution to secure certain borrowings of the Group (Note 23(b)).

Notes to the Interim Condensed Consolidated Financial Information

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18 TRADE RECEIVABLES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Third party payment channels and mobile carriers	42,813	40,526
Third party distribution channels	873,895	696,149
Advertising customers	373,294	274,651
Related parties (<i>Note 28</i>)	72,287	51,124
	1,362,289	1,062,450
Less: provision for impairment	(65,646)	(57,194)
	1,296,643	1,005,256

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

18 TRADE RECEIVABLES (Continued)

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

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

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

As at June 30, 2020, the carrying amounts of the accounts receivable were approximate to their fair values.

19 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Included in non-current assets		
Non-current portion of loan to employees (<i>Note a</i>)	3,527	3,207
Prepayment for property	—	41,824
Prepayment for intangible assets and revenue sharing to content providers	222,038	34,015
Less: provision for impairment	(35)	(32)
	225,530	79,014

Notes to the Interim Condensed Consolidated Financial Information

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19 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Included in current assets		
Recoverable value-added tax	36,717	40,136
Rental and other deposits	5,851	5,797
Prepaid advertising expenses (Note b)	176,277	276,838
Prepaid revenue sharing to content providers (Note c)	765,571	806,489
Current portion of loan to employees (Note a)	7,938	4,989
Loan to third parties (Note d)	120,994	104,630
Withholding tax	2,618	14,181
Other receivable from disposal of investments accounted for using the equity method	8,252	—
Prepayment to related parties (Note 28)	5,153	981
Others	39,989	54,154
Less: provision for impairment	(10,432)	(22,314)
	1,158,928	1,285,881

As at June 30, 2020, there were no significant balances that are past due.

- (a) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and to be repaid in 1 to 5 years from the grant dates.
- (b) The Group engaged various online advertising suppliers and made prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized as "selling and marketing expenses" when the advertising services are rendered.
- (c) The prepaid revenue sharing to game developers 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.
- (d) Loans to third parties represents the loans provided to a number of third parties, majority of which were unsecured, interest free and repayable on demand. In the opinion of the directors, none of the loans to any single third parties is material to the Group during the period ended June 30, 2020.

For the six months period ended June 30, 2020

20 SHARE CAPITAL AND 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
(Unaudited)				
Authorised:				
As of December 31, 2019	<u>5,000,000,000</u>	<u>50</u>	<u>—</u>	<u>—</u>
As of June 30, 2020	<u>5,000,000,000</u>	<u>50</u>	<u>—</u>	<u>—</u>
Issued and fully paid:				
As of December 31, 2019	1,209,947,501	12	75	2,542,476
Shares vested for share incentive scheme (Note 22)	<u>11,537,867</u>	<u>—</u>	<u>—</u>	<u>—</u>
As of June 30, 2020	<u>1,221,485,368</u>	<u>12</u>	<u>75</u>	<u>2,542,476</u>
(Unaudited)				
Authorised:				
As of December 31, 2018	<u>5,000,000,000</u>	<u>50</u>	<u>—</u>	<u>—</u>
As of June 30, 2019	<u>5,000,000,000</u>	<u>50</u>	<u>—</u>	<u>—</u>
Issued and fully paid:				
As of December 31, 2018	1,196,170,660	12	75	2,542,476
Shares vested for share incentive scheme (Note 22)	<u>7,062,850</u>	<u>—</u>	<u>—</u>	<u>—</u>
As of June 30, 2019	<u>1,203,233,510</u>	<u>12</u>	<u>75</u>	<u>2,542,476</u>

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21 RESERVES

	<i>Note</i>	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
(Unaudited)						
As at December 31, 2019		16,100	79,527	33,525	250,502	379,654
Share-based compensation expenses	22	—	—	—	47,198	47,198
Profit appropriation to statutory reserves		—	16,627	—	—	16,627
Currency translation differences		—	—	2,845	—	2,845
As at June 30, 2020		16,100	96,154	36,370	297,700	446,324
(Unaudited)						
As at December 31, 2018		16,100	32,749	33,236	172,467	254,552
Share-based compensation expenses		—	—	—	41,503	41,503
Profit appropriation to statutory reserves		—	14,702	—	—	14,702
Transaction with non-controlling shareholder		—	—	—	152,066	152,066
Currency translation differences		—	—	(818)	—	(818)
As at June 30, 2019		16,100	47,451	32,418	366,036	462,005

For the six months period ended June 30, 2020

22 SHARE-BASED PAYMENTS

(a) 2014 Share Incentive Plan

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

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

(i) *Restricted shares*

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

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

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

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

For the six months period ended June 30, 2020

22 SHARE-BASED PAYMENTS (Continued)

(b) 2017 Restricted Shares Scheme

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

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

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

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

(c) 2018 Share Incentive Plan

On May 18, 2018, the Company issued and allotted an aggregate of 8,627,045 (86,270,450 shares after share split on December 6, 2018) shares to the RSU Holding Entities for employee incentive plan purpose. On July 1, 2018, RSU Holding Entities granted aggregate of 5,220,583 (52,205,830 shares after share split on December 6, 2018) shares to senior management and employees, among which aggregate of 2,913,310 (29,133,100 shares after share split on December 6, 2018) shares were granted to the relevant limited partners of the aforesaid two partnerships mentioned in note (b) as a return for their reduction of the equity interests in Shenzhen iDreamSky. Out of 2,913,310 (29,133,100 shares after share split on December 6, 2018) shares, 1,272,212 (12,722,120 shares after share split on December 6, 2018) shares are without vesting conditions and the remaining 1,641,098 (16,410,980 shares after share split on December 6, 2018) are attached some vesting conditions.

For the six months period ended June 30, 2020

22 SHARE-BASED PAYMENTS (Continued)**(c) 2018 Share Incentive Plan** (Continued)

Out of the remaining 2,307,273 (23,072,730 shares after share split on December 6, 2018) shares, the vesting schedule is for 2,118,854 (21,188,540 shares after share split on December 6, 2018) shares 1/3 after 8 months from original grant date, and the remaining 2/3 will be vest in 2 equal installments over the next 2 years; and the vesting schedule for 188,419 is 48 months and the vesting schedule is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years.

During the year ended December 31, 2019, RSU 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 in 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.

During the six months ended June 30, 2020, RSU Holding Entities granted aggregate of 5,792,966 shares to employees, among which 3,304,199 shares are without vesting conditions. Out of the remaining 2,488,767 shares, the vesting period 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 in equal installments over the next 2 years.

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 RMB47,198,000 share-based compensation expense accordingly during the six months ended June 30, 2020.

Movement in the number of awarded shares for the period ended June 30, 2020 and 2019 is as follows:

	Six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
At beginning of the period	41,737,885	39,483,710
Granted	5,792,966	8,538,881
Vested	(11,537,867)	(7,062,850)
Forfeit	(2,193,287)	—
At end of the period	33,799,697	40,959,741

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

23 BORROWINGS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Non-current		
Secured bank borrowings (<i>Note a</i>)	764,346	162,451
Unsecured bank borrowings	20,000	60,000
Secured other borrowings (<i>Note b</i>)	32,166	31,697
	816,512	254,148
Current		
Current portion of long-term borrowings, secured (<i>Note a</i>)	140,815	19,354
Current portion of long-term borrowings, unsecured	80,000	100,000
Secured bank borrowings (<i>Note a</i>)	460,000	280,000
Secured other borrowings (<i>Note c</i>)	73,905	—
Secured long-term borrowings reclassified to current borrowings (<i>Note a</i>)	65,580	616,937
	820,300	1,016,291
	1,636,812	1,270,439

The Group's long-term bank borrowings bear average interest rate of 4.14% (2019: 3.86%) per annum, and the short-term bank borrowings bear average interest rate of 5.40% (2019: 5.05%) per annum.

For the six months period ended June 30, 2020

23 BORROWINGS (Continued)

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

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Secured by the pledge of Changsha Mengju Information Technology Co., Ltd.'s land and buildings and guaranteed by Shenzhen iDreamSky and another independent third party	1,128	1,805
Secured by the shares of Qianhai Chuangyishikong Technology (Shenzhen) Co., Ltd.	81,975	90,173
Secured by the deposit of USD40,000,000	—	526,764
Secured by the pledge of trade receivables of Horgos iDreamSky and guaranteed by Qianhai iDream	181,000	180,000
Guaranteed by Qianhai iDream	180,000	200,000
Secured by the pledge of certain game intellectual properties of the Group	70,000	70,000
Secured by the pledge of certain trade receivables from Shenzhen iDreamsky	10,000	10,000
Secured by		
(1) the pledge of trade receivables of Qianhai iDreamSky		
(2) the deposit of EUR1,692,000		
(3) the shares of several oversea subsidiaries of the Group		
(4) the shares of Qianhai iDream (<i>Note i</i>)	716,638	—
Guaranteed by Qianhai iDream and iDreamsky Technology Holdings Limited	100,000	—
Secured by the pledge of certain game intellectual properties of the Group and guaranteed by iDreamsky Technology Holdings Limited	30,000	—
Guaranteed by Shenzhen iDreamSky and Mr. Chen Xiangyu and his spouse (<i>Note 28</i>)	20,000	—
Guaranteed by Shenzhen iDreamSky	10,000	—
Guaranteed by Mr. Chen Xiangyu and his spouse (<i>Note 28</i>)	30,000	—
	1,430,741	1,078,742

For the six months period ended June 30, 2020

23 BORROWINGS (Continued)

(a) (Continued)

The Group reclassified RMB65,580,000 long-term borrowings to current liabilities as the Group breached certain financial ratio requirements in the loan agreements as at June 30, 2020 (December 31, 2019: RMB616,937,000).

- (i) In March 2020, the Company entered into a three-year loan facility agreement with a bank, where a loan facility up to EUR92,000,000 (equivalent to RMB732,412,000) was made available to the Company. As at June 30, 2020, the loan balance of RMB716,638,000 net of transaction cost was borrowed from aforesaid loan facility agreement. Restricted cash of RMB13,477,000 is pledged deposit for this aforesaid loan, and restricted cash of RMB18,310,000 is underwriting fee and upfront fee for aforesaid loan.
- (b) In October 2019, iDreamSky Technology (HK) Limited entered into a two-year loan facility agreement with a financial institution, where a loan facility up to USD4,544,000 (equivalent to RMB31,697,000) was made available to iDreamSky Technology (HK) Limited. As at June 30, 2020, the loan balance of USD4,544,000 (equivalent to RMB32,166,000) was borrowed from aforesaid loan facility agreement. The loan bore a fixed rate of 3.85% per annum, and was secured by the pledge of certain financial assets as disclosed in Note 17.
- (c) In February 2020, Shenzhen iDreamSky entered into a one-year Bank's Acceptance Bill with a bank, where the face amount up to RMB20,000,000 was made available to Shenzhen iDreamSky. As at June 30, 2020, the note balance of RMB20,000,000 was borrowed from aforesaid acceptance agreement. The note carried a fixed interest rate of 2.85% per annum, and restricted cash of RMB20,000,000 is pledged deposit for this aforesaid notes. The Group reclassified the notes payable to other borrowing.

In June 2020, Shenzhen iDreamSky entered into a one-year Commercial Acceptance Bill with a bank, where the face amount up to RMB45,000,000 was made available to Shenzhen iDreamSky. As at June 30, 2020, the note balance of RMB45,000,000 was borrowed from aforesaid acceptance agreement. The note carried a fixed interest rate of 3.04% per annum, and was Guaranteed by Qianhai iDream and iDreamsky Technology Holdings Limited. The Group reclassified the notes payable to other borrowing.

In June 2020, Shenzhen iDreamSky enter into a half-year loan facility agreement with a financial institution, where a loan facility up to RMB8,905,000 was made available to Shenzhen iDreamSky. As at June 30, 2020, the loan balance of RMB8,905,000 was borrowed from aforesaid loan facility agreement. The loan carried a fixed rate of 6.00% per annum, and was guaranteed by Mr. Chen Xiangyu and his spouse (note 28).

For the six months period ended June 30, 2020

23 BORROWINGS (Continued)

(c) (Continued)

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

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Within 1 year	820,300	1,016,291
Between 1 and 2 years	210,398	110,148
Between 2 and 5 years	606,114	144,000
	1,636,812	1,270,439

24 CONVERTIBLE BONDS

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

The convertible bonds recognized and measured as financial liabilities at fair value through profit or loss. The fair value as of the Issue Date was of RMB204,552,000. During the period, the loss from changes in fair value of convertible bonds was RMB27,748,000. As at June 30, 2020, the fair value of convertible bonds is RMB235,611,000, which is determined by using valuation methodology with the use of unobservable inputs (level 3) (Note 4(d)).

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

24 CONVERTIBLE BONDS (Continued)

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

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

25 TRADE PAYABLES

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

26 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Payroll and welfare payables	41,811	45,436
Professional service fee payable	20,440	16,912
Other tax payables	37,056	27,952
Other payables to related parties (Note 28)	206,514	207,400
Advance from business partner	11,828	12,543
Others	6,630	6,802
	324,279	317,045

27 COMMITMENTS

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

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Intangible assets	452,062	318,867
Construction in progress	193,653	—
	645,715	318,867

For the six months period ended June 30, 2020

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

Names of major related parties	Nature of relationship
Guangzhou Topcomm Media Advertising Co., Ltd.	Entity invested by a director of the Group
Shenzhen Tencent Computer Systems Company Ltd.	A related party of a shareholder
Tencent Technology (Shenzhen) Company Ltd.	A related party of a shareholder
Tencent Cloud Computing (Beijing) Company Ltd.	A related party of a shareholder
Shenzhen Tencent Comic Company Ltd.	A related party of a shareholder
iDreamSky Technology Limited	The shareholder of the Company
Mr. Chen Xiangyu	The shareholder of the Company
The spouse of Mr. Chen Xiangyu	A relative of a shareholder
Tenpay Payment Technology Co., Ltd.	A related party of a shareholder
Tianjin Lewei Shidai Culture Development Co., Ltd.	Joint venture of the Group
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership)	Associate of the Group
Zhejiang Yiyou Internet Technology Co., Ltd	Associate of the Group
Shanghai Shengxi Network Technology Co., Ltd	Associate of the Group
Hangzhou Crossingstar Culture Creativity Co., Ltd.	Associate of the Group
Wuxi Zengzhiqi Game Studio	Non-controlling shareholder of a subsidiary

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in this Interim Financial Information, 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.

For the six months period ended June 30, 2020

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(b) Significant transactions with related parties** (Continued)**(i) Provide services to related parties**

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Guangzhou Topcomm Media Advertising Co., Ltd.	20,769	17,257
Shenzhen Tencent Computer Systems Company Ltd.	31,929	28,999
	52,698	46,256

(ii) Purchases of services

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Tencent Cloud Computing (Beijing) Company Ltd.	8,545	7,207
Shenzhen Tencent Computer Systems Company Ltd.	5,083	9,212
Tenpay Payment Technology Co., Ltd	702	548
	14,330	16,967

(iii) Revenue share to content providers

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Zhejiang Yiyou Internet Technology Co., Ltd	21,858	—

The transactions of revenue share to content provider charged by Zhejiang Yiyou Internet Technology Co., Ltd amounting to RMB21,858,000 was deducted from revenue according to revenue recognition policy for the six months ended June 30, 2020.

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

(iv) Loan provided to related parties

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loans to related parties:		
— Zhejiang Yiyou Internet Technology Co.,Ltd	10,000	—
— Others	580	251
	<u>10,580</u>	<u>251</u>
Repayment received from related parties:		
— iDreamSky Technology Limited	—	32,516
	<u>—</u>	<u>32,516</u>

(v) Borrowings secured by related parties

In March 2020, Shenzhen Mengyu Technology Co., Ltd. enter into a one-year loan facility agreement with a bank, where a loan facility up to RMB20,000,000 was made available to Shenzhen Mengyu. As at June 30, 2020, the loan balance of RMB20,000,000 was borrowed from aforesaid loan facility agreement. The loan bore a fixed rate of 6.30% per annum, and was guaranteed by Shenzhen iDreamSky, Mr. Chen Xiangyu and his spouse.

In April 2020, Shenzhen Mengyu enter into a one-year loan facility agreement with a bank, where a loan facility up to RMB30,000,000 was made available to Shenzhen Mengyu. As at June 30, 2020, the loan balance of RMB30,000,000 was borrowed from aforesaid loan facility agreement. The loan bore a fixed rate of 6.30% per annum, and was guaranteed by Mr. Chen Xiangyu and his spouse.

In June 2020, Shenzhen iDreamSky enter into a half-year loan facility agreement with a financial institution, where a loan facility up to RMB8,905,000 was made available to Shenzhen iDreamSky. As at June 30, 2020, the loan balance of RMB8,905,000 was borrowed from aforesaid loan facility agreement. The loan bore a fixed rate of 6.00% per annum, and was guaranteed by Mr. Chen Xiangyu and his spouse.

For the six months period ended June 30, 2020

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(c) Period/year end balances with related parties****(i) Amounts due from related parties**

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Wuxi Zengzhiqi Game Studio	8,000	8,000
Zhejiang Yiyou Internet Technology Co.,Ltd	10,000	—
Others	1,552	972
	19,552	8,972
Less: provision for impairment	(978)	(449)
	18,574	8,523

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

(ii) Trade receivables due from related parties

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Shenzhen Tencent Computer Systems Company Ltd.	21,826	19,888
Guangzhou Topcomm Media Advertising Co., Ltd.	22,077	—
Tenpay Payment Technology Co., Ltd.	357	3,767
Zhejiang Yiyou Internet Technology Co., Ltd	27,370	27,370
Others	657	99
	72,287	51,124

Notes to the Interim Condensed Consolidated Financial Information

For the six months period ended June 30, 2020

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

(iii) Amounts due to related parties

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership)	18,949	21,159

The above amount due to a related party was unsecured, interest-free and repayable on demand.

(iv) Trade payables due to related parties

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Tencent Cloud Computing (Beijing) Company Ltd.	4,349	3,192
Tencent Technology (Shenzhen) Company Ltd.	16	16
Zhejiang Yiyou Internet Technology Co., Ltd	25,676	14,088
	67	46
	30,108	17,342

(v) Prepayments to related parties

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Tencent Cloud Computing (Beijing) Company Ltd.	950	38
Shanghai Shengxi Network Technology Co., Ltd	943	943
Shenzhen Tencent Comic Company Ltd.	3,260	—
	5,153	981

For the six months period ended June 30, 2020

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(c) Period/year end balances with related parties** (Continued)**(vi) Other payables due to related parties**

	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Tianjin Lewei Shidai culture development Co., Ltd.	4,900	4,900
Hengqin Chuangmeng Qida equity investment enterprise (Limited Partnership)	5,000	5,000
Non-controlling shareholders of a subsidiary	196,500	196,500
Hangzhou Crossingstar Culture Creativity Co., Ltd.	—	1,000
Tencent Cloud Computing (Beijing) Company Ltd.	114	—
	206,514	207,400

(d) Key management personnel compensations

	Six months ended June 30,	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fees	150	150
Wages, salaries and bonuses	2,444	2,304
Pension costs — defined contribution plan, other social security costs, housing benefits, and other employee benefits	49	93
Other employee benefits	—	20
	2,643	2,567

29 CONTINGENCIES

The Group did not have any material contingent liabilities as at December 31, 2019 and June 30, 2020.

30 SUBSEQUENT EVENT

There are no material subsequent events undertaken by the Group after June 30, 2020.

Definitions

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

“ARPPU” or “average revenue per paying user”	the average amount of game revenue that the Group generates from each paying user for a particular period refers to the average game revenue for the period divided by the average of the paying users during that period
“Articles of Association”	the amended and restated articles of association of our Company adopted on November 20, 2018 with effect from December 6, 2018, as amended and supplemented from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Company” or “our Company”	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange under stock code 01119
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, our Company, the WFOE, Shenzhen iDreamSky and the Relevant Shareholders
“Director(s)”	the director(s) of the Company
“Group” or “our Group” or “we” or “us”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IPO proceeds”	the net proceeds of approximately HK\$776.4 million from the global offering of the shares of the Company, after deducting professional fees, underwriting commissions and other related listing expenses
“Listing Date”	December 6, 2018, being the date on which the shares of the Company became listed and commenced trading on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“matching puzzle game(s)”	games in which users have to put three identical elements in a row or line to eliminate them

“MAU(s)” or “monthly active user(s)”	the number of unique accounts that interacted with the Group’s mobile games in a particular month, which include multiple accounts held by one single user
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPU(s)” or “monthly paying user(s)”	the number of unique accounts through which a payment is made for the Group’s mobile games in a particular month, which includes multiple accounts held by one single user
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries
“Prospectus”	the prospectus of the Company dated November 26, 2018
“Reporting Period”	the six months ended June 30, 2020
“RMB”	Renminbi, the lawful currency of the PRC
“RPG(s)”	games in which users assume the roles of characters in a fictional setting
“RSU Plan”	the restricted share unit plan of our Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with nominal value of US\$0.0001 each in the share capital of the Company
“Shenzhen iDreamSky”	Shenzhen iDreamSky Technology Co., Ltd. (深圳市創夢天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules “substantial
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Tencent”	Tencent Holdings Limited, one of the Company’s substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange under stock code 700
“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

Definitions

“Tencent Group”	Tencent and its subsidiaries
“U.S. dollars” or “US\$” or “USD”	U.S. dollars, the lawful currency of the United States of America
“WFOE”	Shenzhen Qianhai iDream Technology Co., Ltd. (深圳市前海創夢科技有限公司), a wholly-owned foreign enterprise established in the PRC and a subsidiary of our Company