



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

2022 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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

STRATEGY COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

AUTHORIZED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

Ms. Tang Xu
Ms. Leung Suet Lun (*ACG, HKACG*)
(*resigned on March 30, 2022*)
Ms. Ng Ka Man (*ACG, HKACG*)
(*appointed on March 30, 2022*)

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AUDITOR

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PRC

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PRINCIPAL BANKERS

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Shenzhen Zhongxinqu Branch
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138 Fuhua Yi Road
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Guangdong Province
PRC

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

China Merchants Bank Shenzhen Keyuan Branch
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PRC

COMPANY'S WEBSITE

www.idreamsky.com

STOCK CODE

1119

DATE OF LISTING

December 6, 2018

Financial Highlights

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

* To supplement our unaudited consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit for the period as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit/loss for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss, interest expenses on convertible bonds, impairment losses on contract assets, and impairment provisions on investments in associates (if any).

Dear shareholders and friends who care about iDreamSky:

Looking back at the first half of 2022, the international political and economic environment was complex and volatile, and the global inflation was constantly rising, together with repeated outbreaks of the COVID-19 pandemic, which brought certain impacts on all walks of life. Under the challenging environment, short-term pressure was unavoidable for the enterprises. However, our employees braved the difficulties and helped the Company achieve robust business results.

In the past six months, we continued to optimize our gaming business and stocked more self-developed games; Despite the impact of the epidemic, the offline layout of IP derivatives business is still advancing in an orderly manner, and the non-store sales channels are also gradually expanding. While striving to develop business, we kept a constant review on our business strategies. Both the gaming business and IP derivatives business were deployed based on our long-term accumulation of IP resource operation capacity and digitization capacity. With the Internet industry developing to a new stage, we will also adapt to the needs of our customers and gradually bring Fanbook, an efficiency collaboration and customer operation tool which is originally applied to the game industry, to more users in the future. Despite the ever-changing industry we are in, we are more determined in our strategic deployment.

It has been nearly 13 years since the establishment of the Company in 2009, which has accompanied by the game industry from the period of demographic bonus into the era of stock competition. According to the China Game Industry Report for the period January-June 2022, the revenue and user size of the domestic game market were both declined in the first half of this year, and new regulatory requirements have been introduced for the game industry in recent years. Facing the pressure brought by the complex industry situation, we kept optimizing the gaming business sector to control the cost, and focused on competitive games, match-three puzzle games and RPGs, and laid out a number of games on those three major tracks. In addition to focusing on overseas high-quality games suitable for introduction into China, we also paid great attention to the continuous improvement of the independent research and development capability of our team. We had successively launched a number of self-developed games represented by Glory All Stars (榮耀全明星).

Currently, we are making ongoing stock adjustment in the gaming business sector. The games that have been launched, such as Gardenscapes (夢幻花園), Homescapes (夢幻家園) and Glory All Stars, are running well. In addition, our team has stocked many games, namely, Final FireFly (小心火燭), Budding Pop (團子合合屋), Merge Endless (傳說中的合合島), Witch Diaries (女巫日記) and Mechanic Origin (機械起源) etc., which will be launched one after another. In the future, we will continue to actively cooperate with the regulatory requirements of relevant national departments, enhance the protection of minors, and actively fulfill our corporate responsibilities. At present, the pace of issuing publication numbers for games has been gradually restored. We will also continue to improve the independent R&D and operation capabilities of the gaming business team, gradually launch more high quality games, and strive to bring better game experience to users.

Our vision is to become “the world's leading technology-enabled IP operator”, and IP derivatives business is also an important business sector for the company to achieve this vision. It is public knowledge that, with the rise of the “Generation Z” consumer groups and the promotion of copyright awareness among consumers, the IP derivatives market is experiencing rapid growth in China. In the past six months, despite the challenges brought to the market by the ongoing pandemic, our IP derivatives business enjoyed rapidly growing. The unique operation mode of “experience + retail” in stores has given us a lot of surprises in terms of consumers attraction and sales conversion. At present, we have 30 stores all over the Pearl River Delta, Changsha, Wuhan, Chongqing, Chengdu and other places. Next, we will continue to provide excellent consumer experience for our target consumer groups around the shopping centers in the first tier and new first tier cities in China.

Meanwhile, in order to cope with the uncertainty brought about by the epidemic, we have also gradually expanded the sales of IP derivatives through non store channels since the beginning of this year. At the end of May this year, our IP trend art distribution and trading platform “Penta Jam” (悟醬) was launched, and the first 2.5D pixel paintings that we cooperated with nine artists sold well. In addition, the products in QQfamily stores were also gradually launched on multiple online platforms such as Tmall Flagship Store, Tik Tok and RED. At present, the sales of non-store channels have accounted for 20% of the IP derivatives business. In the future, in order to shape the brand image and achieve better consumer reach, we will strive to improve the multi-channel sales model and further increase the proportion of non-store channels.

Chairman's Statement

In the past, iDreamSky has accumulated rich experience in introducing and operating overseas high-quality game IPs which can be smoothly applied to the IP derivatives business. At present, we have cooperation with many of the world's leading IP owners, and the number of licensed IPs keeps growing. In addition to the well-known IPs, we also search and develop high-quality IPs with a wide audience but not well commercialized based on the demands of domestic "Generation Z" consumer groups, or make secondary creation by combining classic IPs with different cultures and techniques, and create various forms of designer products. We believe that "IP +" can meet the aspirations of "generation Z" young people for a better life not only on the field of fashion and entertainment which is being focused on by the current market, but also on many rich scenes worth exploring, such as work, life, study and social interaction.

Meanwhile, we also applied our effective digital strengths in acquiring and serving game users to our IP derivatives business. We made accurate user portraits for the target consumer group of "Generation Z" through the self-developed digital tools, and strictly evaluated and controlled the production, operation, sales and after-sales process of each product according to the data accumulated in the early stage, embedding digital capability into the whole process of IP industry chain operation.

Looking forward, although the economic environment in the second half of the year is still full of uncertainties, we will continue to carry out in-depth cooperation with more excellent IP owners, artists and industrial design institutions, further explore the needs of the scene and expand the matching categories, and work hard to bring more excellent IPs to our customers, accelerate the development of online and offline sales channels, continuously improve the supply chain management, and bring better consumption experience to the users. It can be said that the IP derivatives business is a strategic business deployment we made by fully combining our own resources and judging the development trend of the industry, and is also another important growth point for the development of the Company.

As an enterprise with the sense of social responsibility, iDreamSky has been actively practicing the corporate citizenship responsibility. In terms of corporate governance, we attached great importance to compliance operation, and focused on employees' rights and interests and talents training. In terms of industry development, we actively responded to the call for deepening the protection of minors, and participated in the formulation of industry standards. In terms of social development, we donated money and goods to fight the pandemic and were active in various charitable activities. In the future, we will continue to give full play to our strengths, further strengthen the application of digital capabilities, and contribute to the healthy and sustainable development of the society.

Finally, on behalf of the Board, I would like to take this opportunity to extend my gratitude to all staff and the management team of the Group for their hard work and dedication. I would also like to extend our sincere appreciation to our shareholders and friends for their trust and support. The macro environment brings both challenges and opportunities. iDreamSky will live up to expectations, continue to accelerate the development of our businesses, and strive to repay all the shareholders and stakeholders with good performance.

Chen Xiangyu

Chairman

Shenzhen, the PRC, August 30, 2022

Management Discussion and Analysis

The following table sets forth the comparative figures for the six months ended June 30, 2022 and 2021:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenues	1,381,472	1,367,072
Cost of revenues	(789,583)	(848,302)
Gross profit	591,889	518,770
Selling and marketing expenses	(426,229)	(208,067)
General and administrative expenses	(108,239)	(128,760)
Research and development expenses	(184,379)	(163,599)
Net impairment losses on financial assets and contract assets	(46,188)	(33,279)
Other income	18,634	23,457
Other gains/(losses), net	23,440	(2,955)
Fair value losses on financial assets at fair value through profit or loss	(19,420)	(19,692)
Operating loss	(150,492)	(14,125)
Finance income	4,182	28,351
Finance costs	(76,897)	(65,722)
Finance costs, net	(72,715)	(37,371)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	—	(21,135)
Share of results of investments accounted for using the equity method	(48)	(8,211)
Loss before income tax	(223,255)	(80,842)
Income tax credit	1,255	12,886
Loss for the period	(222,000)	(67,956)
Adjusted (loss)/profit for the period	(156,922)	44,364

BUSINESS REVIEW AND OUTLOOK

Gaming Business

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

Match-three puzzle game product line

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

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

RPG product line

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

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

Competitive game product line

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

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

IP Derivatives Business

Review

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

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

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

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

Outlook

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

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

REVENUES

The Group discloses two reportable segments, namely game and information services and IP derivatives business. For further details of the segment information, please refer to note 6 to the Interim Condensed Consolidated Financial Information.

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

Revenue From Game and Information Services

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

Game revenue

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

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

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

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

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

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

Information service revenue

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

Revenue from IP derivatives business

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

COST OF REVENUES

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

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

SELLING AND MARKETING EXPENSES

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

RESEARCH AND DEVELOPMENT EXPENSES

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

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

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

FINANCE COSTS, NET

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

INCOME TAX CREDIT

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

LOSS FOR THE PERIOD

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

OTHER FINANCIAL INFORMATION

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

Notes:

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

NON-INTERNATIONAL FINANCIAL REPORTING STANDARDS FINANCIAL MEASURES

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

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

Management Discussion and Analysis

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Reconciliation of loss for the period to adjusted (loss)/profit for the period:		
Loss for the period	(222,000)	(67,956)
Add: Fair value losses on financial assets at fair value through profit or loss	19,420	19,692
Add: Share-based compensation expenses	11,689	27,748
Add: Fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss	—	21,135
Add: Impairment losses on contract assets	115	1,031
Add: Impairment provisions on investments in associates	—	12,335
Add: Interest expenses on convertible bonds	33,854	30,379
Adjusted (loss)/profit for the period	(156,922)	44,364
Reconciliation of loss for the period to EBITDA and adjusted EBITDA:		
Loss for the period	(222,000)	(67,956)
Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets	17,999	17,299
Add: Amortization of intangible assets	103,692	101,739
Add: Income tax credit	(1,255)	(12,886)
Add: Interest expense	76,897	65,722
EBITDA	(24,667)	103,918
Add: Fair value losses on financial assets at fair value through profit or loss	19,420	19,692
Add: Share-based compensation expenses	11,689	27,748
Add: Fair value changes from convertible bonds classified as financial liabilities at fair value through profit or loss	—	21,135
Add: Impairment losses on contract assets	115	1,031
Add: Impairment provisions on investments in associates	—	12,335
Adjusted EBITDA	6,557	185,859

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

Debt ratio is calculated based on our total liabilities as at the respective date divided by our total assets as at the same date. As of June 30, 2022, the debt ratio of the Group was 34.6% as compared with 36.3% as of December 31, 2021.

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE

For the six months ended June 30, 2022, our total capital expenditure was approximately RMB108.3 million, as compared to RMB185.8 million for the six months ended June 30, 2021. Our capital expenditure primarily included expenditures for license fees paid to game developers, right-of-use assets, construction in progress and purchase of property, plant and equipment. We plan to fund our capital expenditures through our operating cash flows, debt financing and equity financing. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

We did not hedge against any fluctuations in foreign currency during the six months ended June 30, 2022 and 2021.

EMPLOYEE AND REMUNERATION POLICY

We had 1,081 and 1,113 full-time employees as of June 30, 2022 and December 31, 2021, respectively. The vast majority of our employees are from the PRC.

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

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

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

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

USE OF PROCEEDS FROM THE PLACING AND THE SUBSCRIPTION

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

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

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

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

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

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

Notes:

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

UPDATES ON ACQUISITION OF TIANJIN HUOHUN

On August 7, 2018, the Company acquired 70% of the issued share capital of Shanghai Huohun Internet Technology Co., Ltd., which has changed its name to Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司) in January 2021, at a total consideration (the **"Consideration"**) of RMB1.05 billion (the **"Acquisition"**) and recognized goodwill of approximately RMB989.2 million upon completion of the Acquisition. The Consideration was determined after arm's length negotiations between the Company and the then existing shareholders of Tianjin Huohun (the **"Sellers"**) by reference to (i) the profit guarantee given by the Sellers; (ii) the price-to-earnings ratio of approximately five times; and (iii) the benefits and merits from the Acquisition including the acquisition of R&D talents and potential synergies with the Company's principal business.

According to the agreement on the acquisition of Tianjin Huohun (the **"Tianjin Huohun SPA"**), if the predetermined profit target amount of RMB300.0 million was not achieved by Tianjin Huohun from June 1, 2018 to May 31, 2019 (the **"Performance Appraisal Period"**), the Sellers should compensate the Group according to the predetermined mechanism/formula. The net profit of Tianjin Huohun during the Performance Appraisal Period was RMB210.0 million. Under the compensation mechanism pursuant to the Tianjin Huohun SPA, the Group has the right to acquire the remaining 30% equity interest of Tianjin Huohun at a consideration of RMB1.00.

On May 3, 2019, the Group and the Sellers entered into a supplemental agreement to receive cash compensation from the Sellers instead of the acquisition of 30% equity interest, which can offset the unpaid consideration to Sellers. Pursuant to the supplemental agreement, the compensation is RMB315.0 million. The difference of RMB294.9 million between RMB315.0 million and the amount of contingent consideration assets of RMB20.1 million recognized at the acquisition date and as of December 31, 2018 was recognized as other gains for the year ended December 31, 2019.

The management considers Tianjin Huohun as a separate CGU (the **"Tianjin Huohun CGU"**) and the goodwill is allocated to the Tianjin Huohun CGU. The recoverable amount of the Tianjin Huohun CGU is determined based on the calculations of value in use as of December 31, 2021 and June 30, 2022. These calculations use pre-tax cash flow projections based on financial budgets prepared by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below.

Pursuant to paragraph 10 of IAS 36, "goodwill acquired in a business combination to be tested for impairment annually", the management therefore engaged an independent valuer, AVISTA to carry out impairment assessment on the goodwill. Based on the assessment on the recoverable amounts of the Tianjin Huohun CGU as of December 31, 2019, 2020 and 2021, the Group recognised the impairment loss on goodwill of Tianjin Huohun as RMB422.3 million and RMB493.7 million for the years ended December 31, 2019 and 2020, respectively, and recognised no further impairment loss for the year ended December 31, 2021. For further details, please refer to the 2019, 2020 and 2021 Annual Reports of the Company.

As of June 30, 2022, the key parameters calculated for value in use were as follows:

Key assumptions	As of June 30, 2022	As of December 31, 2021
Average revenue growth rate during the forecast period	16.39%	-6.85%
EBITDA margin during the forecast period	-23.54%–66.09%	15.29%–74.58%
Terminal growth rate	2.00%	3.00%
Pre-tax discount rate	30.98%	31.28%

The Group considered that the selection basis and criteria as well as the key assumptions, adopted by AVISTA, were fair and reasonable.

AVISTA primarily took into account the financial budget and forecast prepared by the management of Tianjin Huohun when conducting the valuation, with reference to (1) the average revenue growth rate of Tianjin Huohun between FY2022 and FY2026; (2) EBITDA margin between FY2022 and FY2026; (3) terminal growth rate; and (4) pre-tax discount rate. When assessing the fairness and reasonableness of this valuation methodology, the Group reviewed the internal control procedures adopted by the Company in formulating and reviewing the financial budgets and forecast prepared by Tianjin Huohun, which includes the following:

- (a) the product team of Tianjin Huohun (i) assessed and estimated certain key performance assumptions including MAU, paying ratio, ARPPU, and an expected revenue return based on the current performance and expected lifecycle of the games launched; and (ii) carefully assessed the prospects of such games yet to be launched based on the available operating data of comparable games in the market;
- (b) the finance team of the Company further assessed the accuracy and reasonableness of the financial budgets and forecast initially proposed by Tianjin Huohun, while the management of the Company reviewed and assessed the reasonableness of the assumptions and comparable data adopted and submitted the same to the CEO of the Company for final review and approval.

Based on the management's assessment on the recoverable amounts of the Tianjin Huohun CGU for the period, no further impairment loss on goodwill was required as of June 30, 2022.

Corporate Governance/Other Information

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, 2022.

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

Mr. Chen Xiangyu is concurrently the Chairman of the Board and the chief executive officer of the Company. However, due to Mr. Chen Xiangyu's background, qualifications and experience in the Company, he is considered the most suitable person to take both roles. The Board is of the view that it is appropriate and in the best interests of the Company that Mr. Chen Xiangyu holds both positions, as it helps to maintain the continuity of the policies and the efficiency and stability of the operations of the Company.

Besides, all major decisions of the Company have been made in consultation with members of the Board and appropriate committees, as well as the senior management team. In addition, Directors participated actively in all Board meetings and appropriate committee meetings. The Chairman ensures that all issues are properly briefed at the Board meetings, and the Chairman works with the senior management team to provide adequate, accurate, clear, complete and reliable information to all members of the Board on a regular manner. Further, the Board meets with Mr. Chen Xiangyu regularly to discuss issues relating to the operations of the Group.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Chen Xiangyu holding both the positions of Chairman of the Board and Chief Executive Officer of the Company will not have influence on the balance of power and authority between the Board and the Company's senior management team. Despite the above, 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 as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended June 30, 2022.

During the Reporting Period, the Company has also adopted a code of conduct regarding its own employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated interim results for the six months ended June 30, 2022 and the 2022 interim report. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the risk management, internal control and financial reporting matters.

CHANGES TO DIRECTORS' INFORMATION

With effect from May 20, 2022, Mr. Zhang Weining has resigned as an independent non-executive director of Grandshores Technology Group Limited (stock code: 1647.HK).

Save as disclosed above, during the six months ended June 30, 2022, there was not any change to Directors' information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of the Rule 13.51(2) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Details of the repurchase are as follows:

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

As of the date of this report, a total of 8,994,400 Shares repurchased in the month of April to July 2022 have been cancelled.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As of June 30, 2022, 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 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 were as follows:

(a) Interest in Shares and Underlying Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares Held ⁽⁶⁾	Approximate Percentage of Interest in the Company ⁽¹⁾⁽⁵⁾
Mr. Chen Xiangyu ("Mr. Chen") ⁽²⁾	Interest of controlled corporation	232,643,922 (L)	16.38%
	Beneficial owner	26,720,800 (L)	1.88%
Mr. Guan Song ("Mr. Guan") ⁽³⁾	Interest of controlled corporation	18,361,220 (L)	1.29%
	Beneficial owner	14,876,000 (L)	1.05%
Mr. Jeffrey Lyndon Ko ("Mr. Ko") ⁽⁴⁾	Interest of controlled corporation	13,965,000 (L)	0.98%

Notes:

- (1) The percentages are calculated on the basis of 1,420,330,345 Shares in issue as of June 30, 2022.
- (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) 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.
- (6) The letter "L" denotes the person's long position in such Shares.

(b) Interest in associated corporations

Name of Directors	Associated Corporations	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage of Interest in the Associated Corporations
Mr. Chen	Shenzhen Mengyu Technology Co. Ltd.	Beneficial owner	500,000 (L)	5.00%

Save as disclosed above, as of June 30, 2022, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the 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, 2022 was the Group 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

As of June 30, 2022, to the best knowledge of the Directors, the following persons (not being a director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares Held⁽⁷⁾⁽⁸⁾	Approximate Percentage of Interest in the Company⁽¹⁾⁽⁶⁾
Brilliant Seed Limited ⁽²⁾	Beneficial owner	232,643,922 (L)	16.38%
Mr. Chen ⁽²⁾	Interest of controlled corporation	232,643,922 (L)	16.38%
	Beneficial owner	26,720,800 (L)	1.88%
Tencent Mobility Limited ⁽³⁾	Beneficial owner	249,141,192 (L)	17.54%
Tencent Holdings Limited ⁽³⁾	Interest of controlled corporation	249,141,192 (L)	17.54%
iDreamSky Technology Limited ⁽⁴⁾	Beneficial owner	127,839,505 (L)	9.00%
Dream Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	127,839,505 (L)	9.00%
Dream Technology Holdings Limited ⁽⁴⁾	Interest of controlled corporation	127,839,505 (L)	9.00%

Name of Shareholders	Capacity/ Nature of Interest	Number of Shares Held ⁽⁷⁾⁽⁸⁾	Approximate Percentage of Interest in the Company ⁽¹⁾⁽⁶⁾
Bank of America Corporation	Interest of controlled corporation	201,055,449 (L)	14.16%
	Interest of controlled corporation	201,052,563 (S)	14.16%
YONG RONG (HK) ASSET MANAGEMENT LIMITED ⁽⁵⁾	Investment manager	105,564,400 (L)	7.43%

Notes:

- (1) The percentages are calculated on the basis of 1,420,330,345 Shares in issue as of June 30, 2022.
- (2) Brilliant Seed Limited is wholly owned by Mr. Chen. Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed Limited. As of June 30, 2022, Brilliant Seed Limited actually held 232,643,922 Shares, which was approximately 16.38% of interest in the Company.
- (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 the Cayman Islands and is in turn wholly owned by Dream Technology Holdings Limited. None of the shareholders of Dream Technology Holdings Limited hold one-third or more of the equity interest of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.
- (5) Yong Rong (HK) Asset Management Limited is the investment manager of Yong Rong Global Excellence Fund and EverFund. As of June 30, 2022, Yong Rong Global Excellence Fund and EverFund, through Yong Rong (HK) Asset Management Limited, held 86,141,600 Shares and 19,422,800 Shares, which was approximately 6.06% and 1.37% of interest in the Company, respectively.
- (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.
- (8) The letter "S" denotes the person's short position in such Shares.

Save as disclosed above, as of June 30, 2022, the Directors were not aware of any persons (who were not directors or chief executives 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, 2022, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding the 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 contributions to our Group, to attract the 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 that, 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 Plan (on a fully diluted and as-converted basis assuming all our Shares underlying the RSU Plan have been issued). For the avoidance of doubt, the RSU Limit excludes the Shares underlying the RSUs that have lapsed or have been cancelled in accordance with the RSU Plan. Upon the completion of the Global Offering and the Capitalization Issue (as defined in the Prospectus), the number of the 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 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 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 not 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 shall 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 of the Awards) and shall otherwise be subject to the requirements of the Listing Rules. However, if the Award forms part of the relevant director's remuneration under his/her 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/her; 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 of June 30, 2022, the aggregate number of Shares underlying RSUs granted under the RSU Plan was 96,650,564* Shares and the aggregate number of Shares underlying RSUs vested and forfeited under the RSU Plan was 62,054,623* Shares and 24,950,057* Shares, respectively. 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.

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

During the year ended December 31, 2021, the RSU Holding Entities have cumulatively granted 8,085,721* Shares to Participants who are not our directors, senior management and their associates. During the six months ended June 30, 2022, RSU Holding Entities granted an aggregate of 1,300,000* Shares without any vesting conditions attached to the Participants (who are not our directors, senior management and their associates).

RSUs granted to our directors, senior management and their associates

As of June 30, 2022, 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.

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	Note	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenues	7	1,381,472	1,367,072
Cost of revenues	8	(789,583)	(848,302)
Gross profit		591,889	518,770
Selling and marketing expenses	8	(426,229)	(208,067)
General and administrative expenses	8	(108,239)	(128,760)
Research and development expenses	8	(184,379)	(163,599)
Net impairment losses on financial assets and contract assets	8	(46,188)	(33,279)
Other income	9	18,634	23,457
Other gains/(losses), net	9	23,440	(2,955)
Fair value losses on financial assets at fair value through profit or loss	17	(19,420)	(19,692)
Operating loss		(150,492)	(14,125)
Finance income	10	4,182	28,351
Finance costs	10	(76,897)	(65,722)
Finance costs, net	10	(72,715)	(37,371)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss		—	(21,135)
Share of results of investments accounted for using the equity method	16	(48)	(8,211)
Loss before income tax		(223,255)	(80,842)
Income tax credit	11	1,255	12,886
Loss for the period		(222,000)	(67,956)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
— Currency translation differences		183,875	(14,190)
Items that may be reclassified to profit or loss			
— Currency translation differences		(141,149)	10,507
Total comprehensive loss for the period		(179,274)	(71,639)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	Note	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss for the period attributable to:			
— Equity holders of the Company		(203,305)	(73,495)
— Non-controlling interests		(18,695)	5,539
		<u>(222,000)</u>	<u>(67,956)</u>
Total comprehensive loss attributable to:			
— Equity holders of the Company		(160,579)	(77,178)
— Non-controlling interests		(18,695)	5,539
		<u>(179,274)</u>	<u>(71,639)</u>
Losses per share			
— Basic losses per share (in RMB)	12	<u>(0.15)</u>	<u>(0.06)</u>
— Diluted losses per share (in RMB)	12	<u>(0.15)</u>	<u>(0.06)</u>

The accompanying notes on pages 33 to 61 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2022

	Note	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	80,632	62,249
Intangible assets	13	1,675,028	1,694,129
Investment properties	14	31,253	31,860
Right-of-use assets	15	172,569	156,383
Investments accounted for using the equity method	16	389,226	372,185
Financial assets at fair value through profit or loss	17	456,996	457,507
Prepayments and other receivables	19	55,608	31,152
Goodwill	13	73,222	73,222
Contract assets		—	159
Deferred tax assets		126,876	125,572
		3,061,410	3,004,418
Current assets			
Inventories		12,940	11,331
Trade receivables	18	748,117	781,346
Amounts due from related parties	27(c)(i)	9,144	5,382
Prepayments and other receivables	19	2,227,751	1,917,866
Contract assets		—	295
Contract costs		61,021	91,296
Financial assets at fair value through profit or loss	17	77,658	73,959
Restricted cash	22(a)	7,999	10,246
Cash and cash equivalents		180,751	714,801
		3,325,381	3,606,522
Total assets		6,386,791	6,610,940
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	914	893
Share premium	20	3,324,180	3,165,141
Treasury Shares	20	(28,853)	(21)
Reserves	21	800,253	744,982
(Accumulated losses)/retained earnings		(179,250)	24,055
		3,917,244	3,935,050
Non-controlling interests		257,534	274,192
Total equity		4,174,778	4,209,242

Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2022

	<i>Note</i>	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	22	1,000	450,719
Lease liabilities	15	74,392	59,945
Convertible bonds	23	447,137	401,461
		522,529	912,125
Current liabilities			
Borrowings	22	1,050,417	899,711
Lease liabilities	15	25,884	19,881
Trade payables	24	169,747	112,500
Other payables and accruals	25	212,541	166,531
Current income tax liabilities		40,619	40,310
Deferred government grants		60	467
Contract liabilities		190,216	250,173
		1,689,484	1,489,573
Total liabilities		2,212,013	2,401,698
Total equity and liabilities		6,386,791	6,610,940

The accompanying notes on pages 33 to 61 form an integral part of this interim financial information.

The Interim Condensed Consolidated Statement of Financial Position set out on pages 29 to 30 was approved by the Board on August 30, 2022, and was signed by the representatives of the following Directors:

Chen Xiangyu
Director

Guan Song
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

(Unaudited)	Note	Attributable to equity holders of the Company								
		Share capital, share premium and treasury shares RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earning/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2022		3,166,013	16,100	91,777	10,819	626,286	24,055	3,935,050	274,192	4,209,242
Loss for the period		—	—	—	—	—	(203,305)	(203,305)	(18,695)	(222,000)
Other comprehensive loss		—	—	—	—	—	—	—	—	—
— Currency translation differences		—	—	—	42,726	—	—	42,726	—	42,726
Total comprehensive loss for the period		—	—	—	42,726	—	(203,305)	(160,579)	(18,695)	(179,274)
Transactions with owners										
Share-based compensation expenses		—	—	—	—	11,689	—	11,689	—	11,689
Issuance of ordinary shares	20	159,062	—	—	—	—	—	159,062	—	159,062
Acquisition of treasury shares	20	(28,834)	—	—	—	—	—	(28,834)	—	(28,834)
Transaction with non-controlling interests	21	—	—	—	—	856	—	856	144	1,000
Disposal of a subsidiary	16	—	—	—	—	—	—	—	1,893	1,893
Total transactions with owners recognized directly in equity for the period		130,228	—	—	—	12,545	—	142,773	2,037	144,810
Balance at June 30, 2022		3,296,241	16,100	91,777	53,545	638,831	(179,250)	3,917,244	257,534	4,174,778
Balance at January 1, 2021		2,533,966	16,100	90,688	22,313	602,582	182,622	3,448,271	267,570	3,715,841
Loss for the period		—	—	—	—	—	(73,495)	(73,495)	5,539	(67,956)
Other comprehensive loss		—	—	—	—	—	—	—	—	—
— Currency translation differences		—	—	—	(3,683)	—	—	(3,683)	—	(3,683)
Total comprehensive loss for the period		—	—	—	(3,683)	—	(73,495)	(77,178)	5,539	(71,639)
Transactions with owners										
Share-based compensation expenses		—	—	—	—	27,748	—	27,748	—	27,748
Acquisition of treasury shares	20	(5,151)	—	—	—	—	—	(5,151)	—	(5,151)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	5,259	5,259
Total transactions with owners recognized directly in equity for the period		(5,151)	—	—	—	27,748	—	22,597	5,259	27,856
Balance at June 30, 2021		2,528,815	16,100	90,688	18,630	630,330	109,127	3,393,690	278,368	3,672,058

The accompanying notes on pages 33 to 61 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Note	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		2,466	1,462
Income taxes paid		(26)	(9,469)
Net cash generated from/(used in) operating activities		2,440	(8,007)
Cash flows from investing activities			
Interest received from wealth management products	9	109	—
Purchase of property, plant and equipment	13	(18,417)	(3,735)
Proceeds from disposals of property, plant and equipment		4	13
Payment for construction in progress		(1,881)	(17,024)
Purchase of intangible assets		(88,040)	(165,294)
Investments in associates and joint ventures		(3,850)	(4,000)
Proceeds from disposal of investments in associates and joint ventures	16	4,366	7,117
Payment for acquisition of a subsidiary		—	(10,000)
Proceeds from disposal of a subsidiary	16(a)(i)	7,650	—
Investments in financial assets at fair value through profit or loss		(18,011)	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss		5,517	25,010
Loans to third parties		(374,585)	(6,000)
Repayment of loans due from third parties		165,766	39,286
Advances provided to related parties	27(b)(vi)	(3,737)	—
Repayment received from a related party	27(b)(vi)	65	—
Net cash used in investing activities		(325,044)	(139,627)
Cash flows from financing activities			
Interest expenses paid		(39,646)	(64,035)
Principal elements of lease payments	15(b)	(12,645)	(7,476)
Payments for share repurchase	20	(28,834)	(5,151)
Proceeds from Issuance of ordinary shares to the investors	20	159,062	—
Proceeds from capital injection from non-controlling interests		—	5,259
Proceeds from transaction with non-controlling shareholders of the Company's subsidiary	21	1,000	—
Repayment of borrowings		(400,617)	(518,108)
Proceeds from borrowings		106,700	355,300
Changes in restricted cash		2,247	40,800
Repayment of loans due to a related party	27(b)(vii)	—	(2,528)
Net cash used in financing activities		(212,733)	(195,939)
Net decrease in cash and cash equivalents		(535,337)	(343,573)
Cash and cash equivalents at the beginning of the period		714,801	735,567
Effects of exchange rate changes on cash and cash equivalents		1,287	(5,204)
Cash and cash equivalents at the end of the period		180,751	386,790

The accompanying notes on pages 33 to 61 form an integral part of this interim financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

1 GENERAL INFORMATION

iDreamSky Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on January 3, 2018 as an exempted company with limited liability. The address of the Company’s registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104 Cayman Islands.

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

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

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

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2021 (the “**2021 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2021 annual report of the Company dated March 30, 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the 2021 Financial Statements and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

(b) New standards and interpretations not yet adopted

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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 2021 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended June 30, 2022.

(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 <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Above 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
(Unaudited)						
As of June 30, 2022						
Borrowings	1,080,960	1,028	—	—	1,081,988	1,051,417
Trade payables	169,747	—	—	—	169,747	169,747
Convertible bonds	20,712	20,712	704,196	—	745,620	447,137
Lease liabilities	30,317	31,726	46,667	1,381	110,091	100,276
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	143,110	—	—	—	143,110	143,110
Total	1,444,846	53,466	750,863	1,381	2,250,556	1,911,687
(Audited)						
As of December 31, 2021						
Borrowings	926,959	459,178	—	—	1,386,137	1,350,430
Trade payables	112,500	—	—	—	112,500	112,500
Convertible bonds	19,801	19,801	673,243	—	712,845	401,461
Lease liabilities	23,409	22,405	41,927	258	87,999	79,826
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	85,214	—	—	—	85,214	85,214
Total	1,167,883	501,384	715,170	258	2,384,695	2,029,431

For the six months ended June 30, 2022

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, lease liabilities, amount due to related parties, interest payable, and convertible bonds less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As of June 30, 2022, and December 31, 2021, the gearing ratio of the Group is 33.80% and 26.30% respectively.

(d) Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of June 30, 2022, and December 31, 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets that are measured at fair value as of June 30, 2022, and December 31, 2021.

	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)					
As of June 30, 2022					
Assets:					
Financial assets at fair value through profit or loss	17	77,658	—	456,996	534,654
(Audited)					
As of December 31, 2021					
Assets:					
Financial assets at fair value through profit or loss	17	73,959	—	457,507	531,466

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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 that are required to measure fair value of an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The following table presents the movement in level 3 financial instruments during the six months ended June 30, 2022 and 2021:

	Financial assets		Financial liabilities	
	Six months ended June 30,			
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At the beginning of the period	457,507	374,769	—	206,308
Additions	13,011	86,000	—	—
Disposals	(212)	(14,734)	—	—
Changes in fair value recognized in profit or loss	(19,236)	(9,383)	—	21,135
Currency translation differences	5,926	(1,424)	—	(2,076)
At the end of the period	456,996	435,228	—	225,367

There were no transfers among levels 1, 2 and 3 during the six months ended June 30, 2022, and 2021.

For the six months ended June 30, 2022

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation (continued)

Valuation processes of the Group (Level 3)

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

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

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 2021 Financial Statements.

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. Since 2021, the CEO of the Group consider that the Group's operations are operated and managed on below 2 reportable segments:

Game and information services

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

IP derivatives business

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

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

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

The revenues are mainly generated in the PRC.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

6 SEGMENT INFORMATION (continued)

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

6 SEGMENT INFORMATION (continued)

	Six months ended June 30, 2021		
	Game and information services <i>RMB'000</i> (Unaudited)	IP derivatives business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenues	1,355,241	11,831	1,367,072
Cost of revenues	(842,399)	(5,903)	(848,302)
Gross profit	512,842	5,928	518,770
Segment results	109,547	(21,231)	88,316
<i>Reconciliation:</i>			
Unallocated operating expenses			(69,972)
Net impairment losses on financial assets and contract assets			(33,279)
Other income			23,457
Other losses, net			(2,955)
Fair value losses on financial assets at fair value through profit or loss			(19,692)
Finance income			28,351
Finance costs			(65,722)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss			(21,135)
Share of results of investments accounted for using the equity method			(8,211)
Loss before income tax			(80,842)

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

7 REVENUES

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

The timing of revenues recognition by category is as follows:

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

There are two kinds of unsatisfied performance obligations as of June 30, 2022.

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 of the end of the reporting period.

The other one is mainly 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Channel costs	460,847	569,941
Promotion and advertising expenses	398,210	182,106
Employee benefits expenses	201,101	171,181
Revenue share to content providers	179,011	139,636
Amortization of intangible assets <i>(Note 13)</i>	103,692	101,739
Impairment provisions for financial assets and contract assets	46,188	33,279
Technical and development services fee in relation to game development and others	29,101	66,315
Impairment provisions for intangible assets <i>(Note 13)</i>	27,238	36,542
Cost of goods	27,027	4,784
Impairment provisions for prepayments <i>(Note 19)</i>	20,623	5,883
Cloud computing, bandwidth and server custody fees	15,300	15,013
Depreciation of right-of-use assets <i>(Note 15(b))</i>	13,179	8,873
Professional service fees	10,398	13,848
Travelling and entertainment expenses	4,599	7,017
Depreciation of property, plant and equipment <i>(Note 13)</i>	4,213	7,819
Short-term rental and utilities expenses	2,778	2,339
Other tax expenses	1,269	2,577
Depreciation of investment properties <i>(Note 14)</i>	607	607
Auditor's remuneration — Audit services	—	800
Others	9,237	11,708
Total cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and net impairment losses on financial assets and contract assets	1,554,618	1,382,007

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

9 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Other income		
Government grants	8,745	17,010
Additional deduction of value-added tax	9,332	5,652
Rental income	448	795
Interest income from wealth management products	109	—
	18,634	23,457
Other gains/(losses), net		
Impairment of investments in an associate (<i>Note 16(a)(iii)</i>)	—	(12,335)
Net losses on disposal of property, plant and equipment	(18)	(311)
Net gains on disposal of financial assets at fair value through profit or loss	300	866
Gains on disposal of investments in associates and joint ventures (<i>Note 16</i>)	324	6,526
Gains on disposal of a subsidiary (<i>Note 16(a)(i)</i>)	22,506	—
Gains on disposals of right-of-use assets	116	1,916
Others	212	383
	23,440	(2,955)

10 FINANCE COSTS, NET

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance costs		
Interest expenses on bank borrowings	(29,955)	(35,144)
Exchange losses, net	(11,846)	—
Interest expense on convertible bonds (<i>Note 23</i>)	(33,854)	(30,379)
Interest expense on lease liabilities (<i>Note 15(b)</i>)	(2,348)	(646)
Interest capitalized	1,106	447
	(76,897)	(65,722)
Finance income		
Interest income on bank deposits	4,182	2,722
Exchange gains, net	—	25,629
	4,182	28,351
Finance costs, net	(72,715)	(37,371)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

11 INCOME TAX CREDIT

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

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

12 LOSSES PER SHARE AND DIVIDENDS

(a) Losses per share

(i) Basic

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

Basic losses per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective period, excluding ordinary shares purchased by the Group and held as treasury shares (Note 20).

(ii) Diluted

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

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

(b) Dividends

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

13 PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INTANGIBLE ASSETS AND GOODWILL

	PP&E RMB'000	Construction in progress RMB'000	Intangible assets RMB'000 (Note a)	Goodwill RMB'000 (Note b)
(Unaudited)				
Six months ended June 30, 2022				
Opening net book amount	18,314	43,935	1,694,129	73,222
Additions	18,417	4,483	101,151	—
Disposals	(304)	—	—	—
Depreciation/amortization charge	(4,213)	—	(103,692)	—
Impairment	—	—	(27,238)	—
Currency translation differences	—	—	10,678	—
Closing net book amount	32,214	48,418	1,675,028	73,222
(Unaudited)				
Six months ended June 30, 2021				
Opening net book amount	17,742	12,138	1,823,150	73,222
Additions	3,735	18,475	143,299	—
Disposals	(325)	—	—	—
Depreciation/amortization charge	(7,819)	—	(101,739)	—
Impairment	—	—	(36,542)	—
Currency translation differences	—	—	(2,207)	—
Closing net book amount	13,333	30,613	1,825,961	73,222

As of June 30, 2022 and December 31, 2021, the Group's certain game intellectual properties and licenses with net book amounts of RMB4,472,000 and RMB286,000 were pledged to a bank to secure certain bank borrowings of the Group respectively (Note 22).

Non-financial assets that have an indefinite life are not subject to amortization, 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 amortization 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.

(a) Impairment for intangible assets

The impairment for intangible assets mainly represents impairment of game intellectual properties and licenses and is the excess amount of the carrying amount of the game intellectual properties and licenses fees to the game developers over the expected game revenue to be generated in the remaining contractual period. The management estimated the expected game revenue with reference to those games' gross billings trend, the monthly active users and paying ratio over the past period.

During the six months ended June 30, 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment loss on intangible assets of RMB27,238,000 (during the six months ended June 30, 2021: RMB36,542,000) were charged to statement of comprehensive income, as certain games have expired prior to June 30, 2022 or have no further development plan.

(b) Impairment test for goodwill

The Group normally performs goodwill impairment test in the fourth quarter of each year, or when there is an indicator for impairment of goodwill. Based on management's assessment on the recoverable amounts as of June 30, 2022, no impairment loss on goodwill was required. For details of goodwill impairment assessment for the year ended December 31, 2021, please refer to the 2021 Financial Statements.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

14 INVESTMENT PROPERTIES

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Opening net book amount	31,860	33,074
Depreciation charge	(607)	(607)
Closing net book amount	31,253	32,467

The investment properties are two buildings respectively located in Hainan Ecology Software Park and Changsha Xincheng Science Park for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales and rental.

As of June 30, 2022, there were no investment properties of the Group were pledged to a bank to secure certain bank borrowings of the Group (*Note 22*) (December 31, 2021: nil).

15 LEASES

(a) Amounts recognized in the statement of financial position

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Right-of-use assets		
Buildings	93,008	75,326
Land use rights	79,561	81,057
	172,569	156,383
Lease liabilities		
Non-current	74,392	59,945
Current	25,884	19,881
	100,276	79,826

Additions to the right-of-use assets during the six months ended June 30, 2022 were RMB31,569,000 (for the six months ended June 30, 2021: RMB19,615,000).

Disposals to the right-of-use assets during the six months ended June 30, 2022 were RMB708,000 (for the six months ended June 30, 2021: RMB10,604,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

15 LEASES (continued)

(b) Amounts recognized in the statement of comprehensive income

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

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Buildings	13,179	8,873
Land use rights	1,496	1,451
	14,675	10,324
Interest expense (included in finance costs)	2,348	646
Expense relating to short-term leases (included in cost of revenues and general and administrative expenses)	478	213

During the six months ended June 30, 2022 and 2021, the depreciation of RMB13,179,000 and RMB8,873,000 from buildings was charged as profit or loss respectively, while the depreciation of RMB1,496,000 and RMB1,451,000 from land use rights was recognized in construction in progress respectively.

During the six months ended June 30, 2022, the cash outflow about the principal element and interest element of lease payments was RMB12,645,000 and RMB2,348,000 respectively (for the six months ended June 30, 2021: RMB7,476,000 and RMB646,000), the cash outflow about payment for short-term and low-value lease was RMB478,000 (for the six months ended June 30, 2021: RMB213,000).

For the six months ended June 30, 2022

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Associates (a)	289,601	273,834
Joint ventures (b)	99,625	98,351
	389,226	372,185

(a) Investments in associates

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	273,834	274,498
Additions (i)	18,388	4,000
Disposals (ii)	(229)	(591)
Impairment (iii)	—	(12,335)
Share of results of the associates	(3,454)	(11,003)
Currency translation differences	1,062	(118)
At the end of the period	289,601	254,451

- (i) The Group made additional investments in existing associates, with an aggregate amount of RMB5,000,000 and RMB4,000,000 during the six months ended June 30, 2022 and 2021, respectively. The associates are principally engaged in advertisement, online game and other internet-related businesses.

In January 2022, the Group disposed certain equity interests of a subsidiary with the consideration of RMB7,650,000 and lost control over it. Non-controlling interests increased RMB1,893,000 due to accumulated losses of the subsidiary. The investment has been accounted for as an associate since then. The Group recognized gains on disposal of subsidiaries of RMB22,506,000 in "Other gains/(losses), net" in the consolidated statement of comprehensive income (Note 27(b)(ix)).

- (ii) During the six months ended June 30, 2022 and 2021, The Group disposed certain investments from existing associates at considerations of RMB366,000 and RMB7,117,000, recognizing disposal gains of RMB137,000 and RMB6,526,000 respectively.
- (iii) During the six months ended June 30, 2022, the Group made no impairment provisions against the carrying amounts of associates (during the six months ended June 30, 2021: RMB12,335,000, one associate), based on the result of impairment assessment performed on the carrying amount against its respective recoverable amount.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investments in joint ventures

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	98,351	93,076
Additions (i)	1,000	—
Disposal (ii)	(3,813)	—
Share of results of the joint ventures	3,406	2,792
Currency translation differences	681	(131)
At the end of the period	99,625	95,737

- (i) The Group made additional investments in an existing joint venture, with an aggregate amount of RMB1,000,000 during the six months ended June 30, 2022. The joint venture is principally engaged in advertisement and other internet-related businesses.
- (ii) The Group disposed 10% equity shares of a joint venture with the consideration of RMB4,000,000 and recognized gains on disposal of a joint venture of RMB187,000.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Included in non-current assets		
At the beginning of the period	457,507	374,769
Additions	13,011	86,000
Changes in fair value	(19,236)	(9,383)
Disposal	(212)	(14,734)
Currency translation differences	5,926	(1,424)
At the end of the period	456,996	435,228
Included in current assets		
At the beginning of the period	73,959	105,872
Additions	5,000	—
Changes in fair value	(184)	(10,309)
Disposal	(5,005)	(21,581)
Currency translation differences	3,888	(1,038)
At the end of the period	77,658	72,944

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For the six months ended June 30, 2022

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Group's financial assets at fair value through profit or loss comprised debt securities, wealth management products and some investments in unlisted and listed entities mainly operated in the PRC, USA, Korea and Singapore.

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. These companies are engaged in technology, game developing and other internet-related services.

18 TRADE RECEIVABLES

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Third parties	843,696	852,231
Related parties (Note 27(c)(ii))	23,638	16,202
	867,334	868,433
Less: provision for impairment	(119,217)	(87,087)
	748,117	781,346

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

18 TRADE RECEIVABLES (continued)

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

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

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

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

(c) As of June 30, 2022, and December 31, 2021, trade receivables of RMB78,776,000 and RMB12,449,000 respectively were pledged to secure certain bank facilities granted to the Group (Note 22).

19 PREPAYMENTS AND OTHER RECEIVABLES

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

For the six months ended June 30, 2022

19 PREPAYMENTS AND OTHER RECEIVABLES (continued)

As of June 30, 2022, 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 represent the loans provided to a number of third parties, which were unsecured. All the loans were interest-free except two, of which one was interest-bearing fixed 4.35% per annum, the other was interest-bearing fixed 12% per annum after extension on June 1, 2022.
- (e) The movements in the provision for impairment of prepayments as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	9,873	9,873
Provision for impairment	20,623	5,883
Written off during the period	(28,376)	(5,883)
At the end of the period	2,120	9,873

The impairment provision mainly represents impairment of prepaid revenue sharing to game developers, which is primarily related to certain games licensed by the Group which did not operate well or align with the Group’s future strategy. The provision is the excess amount of the carrying amount of the unearned prepaid revenue sharing to game developers over the expected game revenue to be generated in the remaining contractual period. The management estimates the expected revenue sharing with reference to those games’ gross billings trend, the monthly active users and paying ratio over the past period.

During the six months ended June 30, 2022, an impairment provision of RMB20,623,000 was provided for certain games of the Group (during the six months ended June 30, 2021: RMB5,883,000), among which certain games have expired prior to June 30, 2022 and certain games have no further development plan, none of them was considered individually material to the Group.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

20 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Group total RMB'000
(Unaudited)						
Authorized:						
As of June 30, 2022 and December 31, 2021	5,000,000,000	500				
Issued and fully paid:						
As of December 31, 2021	1,387,475,615	139	893	3,165,141	(21)	3,166,013
Shares vested for share incentive scheme	—	—	—	(2)	2	—
Issuance of ordinary shares to the investors	32,854,730	3	21	159,041	—	159,062
Acquisition of treasury shares*	—	—	—	—	(28,834)	(28,834)
As of June 30, 2022	1,420,330,345	142	914	3,324,180	(28,853)	3,296,241
(Unaudited)						
Authorized:						
As of June 30, 2021 and December 31, 2020	5,000,000,000	500				
Issued and fully paid:						
As of December 31, 2020	1,269,718,990	127	818	2,541,764	(8,616)	2,533,966
Shares vested for share incentive scheme	—	—	—	(6)	6	—
Acquisition of treasury shares*	—	—	—	—	(5,151)	(5,151)
Cancellation of shares*	(4,201,200)	—	(3)	(13,733)	13,736	—
As of June 30, 2021	1,265,517,790	127	815	2,528,025	(25)	2,528,815

* During the six months ended June 30, 2022, the Group bought back a total of 8,795,200 (during the six months ended June 30, 2021: 1,601,200) ordinary shares of the Company that listed on the HKEX. The total amount paid to buy back these ordinary shares was HKD34,065,000 (equivalent to RMB28,834,000) (during the six months ended June 30, 2021: HKD6,141,000 (equivalent to RMB5,151,000)). Whole shares bought back during the six months ended June 30, 2022 were not cancelled as of June 30, 2022, while whole shares brought back during the six months ended June 30, 2021, were cancelled on June 29, 2021 and resulted in the decrease in the Company's share capital and share premium of RMB13,736,000.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

21 RESERVES

	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
(Unaudited)					
As of December 31, 2021	16,100	91,777	10,819	626,286	744,982
Share-based compensation expenses	—	—	—	11,689	11,689
Transaction with non-controlling interests*	—	—	—	856	856
Currency translation differences	—	—	42,726	—	42,726
As of June 30, 2022	16,100	91,777	53,545	638,831	800,253
(Unaudited)					
As of December 31, 2020	16,100	90,688	22,313	602,582	731,683
Share-based compensation expenses	—	—	—	27,748	27,748
Currency translation differences	—	—	(3,683)	—	(3,683)
As of June 30, 2021	16,100	90,688	18,630	630,330	755,748

* In January, 2022, the Group disposed non-controlling interests of a subsidiary to a non-controlling shareholder with the consideration of RMB1,000,000 and Group maintained control over that subsidiary after the transaction. The Group recognized transaction with non-controlling interests of RMB856,000 in other reserves.

22 BORROWINGS

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22 BORROWINGS (continued)

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

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

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

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

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

For the six months ended June 30, 2022

23 CONVERTIBLE BONDS

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

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

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

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

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

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

The 2025 Convertible Bonds are guaranteed by the Company.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

24 TRADE PAYABLES

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

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

25 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Other payables due to related parties (Note 27(c)(v))	85,392	65,127
Payroll and welfare payables	45,498	55,783
Other tax payables	23,933	25,534
Notes payable	30,000	—
Professional service fee payable	2,457	5,600
Advance from business partners	2,737	2,071
Interest payable	531	155
Others	21,993	12,261
	212,541	166,531

26 COMMITMENTS

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Intangible assets	252,274	129,960
Construction in progress	159,274	161,155
	411,548	291,115

For the six months ended June 30, 2022

27 SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Names and relationships with related parties**

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

Names of major related parties	Nature of relationship
Tencent and its subsidiaries (collectively “ Tencent Group ”) Hengqin Chuangmeng Qida Equity Investment Enterprise (L.P.) (“ Hengqin Chuangmeng Qida ”)	Related party of a shareholder Associate of the Group
Zhejiang Yiyou Internet Technology Co., Ltd. (“ Zhejiang Yiyou ”)	Associate of the Group
Shenzhen Xingfei Culture Co., Ltd. (“ Shenzhen Xingfei ”)	Associate of the Group
iDream Legu (Nanjing) Cultural Industry Development Co., Ltd. (“ iDream Legu ”)	Associate of the Group
Shenzhen Zero One Zhihe Technology Co., Ltd. (“ Zero One Zhihe ”)	Associate of the Group
Nanjing Yuexia Internet Technology Co., Ltd. (“ Nanjing Yuexia ”)	Associate of the Group
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership) (“ iDreamSky Venture ”)	Joint venture of the Group
Shenzhen Mengzuofang Technology Ltd. (“ Shenzhen Mengzuofang ”)	Joint venture of the Group
Tianjin Lewei Shidai Culture Development Co., Ltd. (“ Tianjin Lewei Shidai ”)	Joint venture of the Group
IDS Partnership01 L.P.	Joint venture of the Group
Zuhai Hengqin Dreammaker Space Investment Co., Ltd. (“ Hengqin Dreammaker Space ”)	Entity that a member of key management personnel of the Group has significant influence over
Mr. Jeffrey Lyndon Ko	Director of the Group
Mr. Guan Song	Director of the Group
Mr. Lei Junwen	Member of key management personnel of the Group

(b) Significant transactions with related parties

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

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

(i) Provide of services

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Tencent Group	17,577	22,134
Zero One Zhihe	3,778	—
	21,355	22,134

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Significant transactions with related parties (continued)

(ii) IP cooperation

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Tencent Group	—	7,934

(iii) Purchases of services

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Tencent Group	13,449	12,160

(iv) Revenue share to content providers

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Zhejiang Yiyou	19,555	76,766

(v) Licence fees

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Tencent Group	5,346	629

(vi) Advances to related parties

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advances provided to related parties:		
Mr. Lei Junwen	2,490	—
iDream Legu	782	—
Mr. Guan Song	400	—
Zero One Zhihe	65	—
	<u>3,737</u>	<u>—</u>
Repayment received from a related party:		
Zero one Zhihe	65	—
	<u>65</u>	<u>—</u>

For the six months ended June 30, 2022

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**(b) Significant transactions with related parties** (continued)**(vii) Loan from a related party**

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Repayment to a related party: Hengqin Chuangmeng Qida	—	2,528

(viii) Proceeds from disposal of investments in an associate to a related party

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Tencent Group	—	6,750

(ix) Proceeds from disposal of investments in a subsidiary to a related party

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Hengqin Dreammaker Space	7,650	—

(c) Balances with related parties**(i) Amounts due from related parties**

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
iDream Legu	4,482	3,700
Mr. Lei Junwen	2,568	—
Mr. Jeffrey Lyndon Ko	1,135	1,082
Shenzhen Mengzuofang	420	420
Mr. Guan Song	400	—
IDS Partnership01 L.P.	235	223
Hengqin Chuangmeng Qida	70	70
	9,310	5,495
Less: provision for impairment	(166)	(113)
	9,144	5,382

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

(ii) Trade receivables due from related parties

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Tencent Group	22,993	16,202
iDreamSky Venture	645	—
	23,638	16,202

(iii) Trade payables due to related parties

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Tencent Group	9,840	21,841

(iv) Prepayments to related parties

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Shenzhen Xingfei	55,849	25,000
Zhejiang Yiyou	12,754	11,588
Tencent Group	5,403	5,032
	74,006	41,620

For the six months ended June 30, 2022

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**(c) Balances with related parties** (continued)**(v) Other payables due to related parties**

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Non-controlling shareholders of a subsidiary*	54,850	54,850
Zero One Zhihe	17,758	—
Hengqin Chuangmeng Qida	5,000	5,000
Tianjin Lewei Shidai	4,900	4,900
Nanjing Yuexia	2,500	—
Tencent Group	384	259
iDream Legu	—	118
	85,392	65,127

* These balances are the unpaid consideration to the sellers for the acquisition of Tianjin Huohun Internet Technology Co., Ltd.

(d) Key management personnel compensations

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Wages, salaries and bonuses	2,938	2,883
Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	92	62
	3,030	2,945

28 CONTINGENCIES

The Group did not have any material contingent liabilities as of June 30, 2022, and December 31, 2021.

29 SUBSEQUENT EVENTS

No significant events took place after June 30, 2022.

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 game revenue 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
“AVISTA”	Avista Business Consulting (Shanghai) Co., Ltd., an independent valuer engaged by the management
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company” or “our Company” or “iDreamSky”	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 1119
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the legal currency of the member states of the European Union
“Group” or “our Group” or “we” or “us”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
“HKD”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	International Accounting Standards
“IFRS(s)”	International Financial Reporting Standards
“IP(s)”	intellectual property(ies)
“Listing 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
“match-three puzzle game(s)”	games in which users have to put three identical elements in a row or line to eliminate them
“MAU(s)” or “monthly active user(s)”	the number of unique accounts that interacted with the Group’s mobile games in a particular month, which include multiple accounts held by one single user

“MMORPG”	massively multiplayer online role-playing game
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPU(s)” or “monthly paying user(s)”	the number of unique accounts through which a payment is made for the Group’s mobile games in a particular month, which includes multiple accounts held by one single user
“Placing”	Completed on December 13, 2021, the placement of 72,280,000 Shares to five independent investors at the price of HKD5.92 per Share
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this report only, the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries
“Prospectus”	the prospectus of the Company dated November 26, 2018
“PVE”	Player versus Environment, a game mode that the opponent(s) of the player are computer controlled AI, commonly known as non-player-characters (NPCs)
“PVP”	Player versus Player, a game mode that around player-against-player combat, which is between actual human players
“Reporting Period”	the six months ended June 30, 2022
“RMB”	Renminbi, the legal currency of the PRC
“RPG(s)”	games in which users assume the roles of characters in a fictional setting
“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 a nominal value of USD0.0001 each in the share capital of the Company
“Shenzhen iDreamSky”	Shenzhen iDreamSky Technology Co., Ltd. (深圳市创梦天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	Completed on February 28, 2022, the subscription of 32,854,000 Shares by three related subscribers at the price of HKD5.92 per Share
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

Definitions

“Tencent”	Tencent Holdings Limited, one of the Company’s substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange under stock code 700
“Tianjin Huohun”	Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司), a non-wholly owned subsidiary of the Company incorporated in the PRC, formerly named Shanghai Huohun Internet Technology Co., Ltd., which changed its name to Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司) in January 2021
“USD”	U.S. dollars, the legal currency of the United States of America
“%”	per cent