iDreamSky Technology Holdings Limited
创梦天地科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1119

ANNUAL REPORT
2021

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

STRATEGY COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Guan Song
Ms. Leung Suet Lun (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)*

LEGAL ADVISOR

As to Hong Kong law:
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27/F, Jardine House
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Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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Central, Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1104
Cayman Islands

HEADQUARTER

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Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

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Grand Cayman, KY1-1102
Cayman Islands

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PRINCIPAL BANKERS

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Futian District
Shenzhen
Guangdong Province
PRC

Bank of China
Zhongxing Sub-branch
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COMPANY'S WEBSITE

www.idreamsky.com

STOCK CODE

1119

DATE OF LISTING

December 6, 2018

Financial Highlights

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenues	1,763,548	2,364,641	2,792,970	3,212,118	**2,637,637**
Gross profit	709,428	1,038,823	1,225,738	1,335,764	**1,103,341**
Profit/(loss) before income tax	173,692	297,047	390,585	(574,478)	**(181,180)**
Profit/(loss) for the year	151,904	267,833	360,397	(564,996)	**(155,930)**
Adjusted net profit*	238,347	443,640	553,211	162,253	**42,201**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	2,772,325	5,618,071	6,086,762	6,752,841	**6,610,940**
Total liabilities	1,435,631	2,439,965	2,141,169	3,037,000	**2,401,698**
Total equity	1,336,694	3,178,106	3,945,593	3,715,841	**4,209,242**

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

Mr. Chen Xiangyu
Chairman

I am pleased to present our annual report for the year ended December 31, 2021 to our shareholders.

OVERVIEW

Dear shareholders of the Company and friends who care about iDreamSky:

The COVID-19 pandemic has lasted for more than two years. The spread of the virus has brought great challenges to our work and life, as well as a series of impacts on our business operations. Amid the uncertainties in the external environment, iDreamSky remained true to its original aspiration, faced difficulties, united with all employees, and worked together with external partners to continue to implement our strategies and achieved gratifying progress. We have reasons to believe that the haze will end and the future will certainly be promising.

Looking back on the development history of iDreamSky, we took advantage of the opportunities in the mobile Internet industry and continued to iterate our strategies in line with the changes in the industry. After continuous review, forward-looking thinking and strategic adjustment since 2018, we have strengthened our future positioning and development focus, and our business has become more focused.

Based on our judgment on the development trend of the industry, as well as the core capabilities and resources accumulated by iDreamSky in the game industry over the years, we have sorted out and established the strategic positioning of the Company, namely "technology-enabled IP operators". We have integrated a series of core capabilities including digital capabilities into the whole process of IP industry chain operation, which fully support IP and derivatives cultivation, derivatives development and selection, supply chain management, channel operation and sales, targeted customer acquisition, user operation and other links. We have built a bridge between IP creators and users through full life cycle of digital tools, establishing a prosperous and user-centric IP industry chain.

We have expanded from a single online virtual scenario to an offline QQfamily experience retail store, building a more diversified scenario through the combination of online virtual and offline physical stores. In terms of game business, in 2021, we continued to optimize the structure of existing products, increase self-development, and added new joint-development with major shareholders. Some of the self-developed products were officially launched and started to stand out, and the joint development project was smoothly advanced. In terms of other IP operation business, in 2021, we achieved remarkable results in terms of external IP resources acquisition, joint development, supply chain resources integration, offline store implementation, organizational talent construction, etc. The Company continued to deepen the strategic cooperation with important shareholders in terms of resources and ecology, and also continued to explore third-party resources, which facilitated the gradual enrichment and diversification of our IP operation ecosystem.

In 2021, a number of well-known series images of IP licenses such as QQ and PUPU ALIENS were signed, cooperation agreements were signed with QQ Toys Expo ("**QTX**"), QTX Preview was successfully held, the supply chain of designer products was preliminarily established, self-developed Qmenghu (Q猛虎) and other series of Garage Kits were successfully launched to the market, and QQfamily flagship store and regular stores were successfully opened and operated well.

In the coming year, we will continue to enrich our IP product matrix, enhance cooperation with leading IPs, accelerate the layout of products and stores, improve internal operation efficiency, and continue to build a world-leading technology-enabled IP operator.

RESULTS

In 2021, the Company's total R&D expenses amounted to RMB325.2 million, and the R&D expense ratio increased from 10.1% in 2020 to 12.3% in 2021. The main reason is that the Company focuses on the strategic positioning of building a technology-enabled IP operator and continues to increase investment in research and development, which is reflected in two aspects: (1) the Company enhances its game development capabilities and is committed to improving and perfecting a new tool for user platform management; and (2) the Company strengthens the research and development of IP derivatives business, such as self-developing online mini programs and data analysis backstage system. Although the above investment will bring certain pressure on our financial performance in the short term, the Company has seized new development opportunities amid changes. We believe that the continuous investment in research and development will provide an inexhaustible impetus for the sustainable development of the Company. The current resource investment will lead to significant benefits of our business in the future.

The Group continued to adjust and optimize the inventory of the game business segment. In 2021, we gradually terminated products that were no longer in line with the Group's game business strategy. Therefore, the total revenue for the year decreased by 17.9% year on year. In 2021, we continued to expand our store network and optimize the business model of our offline stores. Our experiential retail business achieved remarkable results, with the revenue of experiential retail business increasing by 463.1% as compared to the previous year. The Group's net loss for the year ended December 31, 2021 was RMB155.9 million, compared to a net loss of RMB565.0 million for the year ended December 31, 2020, representing a year-on-year decrease of 72.4%. The Group's adjusted net profit for the year ended December 31, 2021 was RMB42.2 million, as compared to the adjusted net profit of RMB162.3 million for the year ended December 31, 2020.

In addition, our average MAUs decreased from 138.0 million in 2020 to 128.0 million in 2021, primarily because the Group gradually terminated products that were no longer in line with the Group's game business strategy. We are able to monetize these users through a combination of in-app purchase, advertising and subscription based revenue models. Our average MPUs decreased from 5.9 million in 2020 to 5.5 million in 2021, and our ARPPU decreased from RMB38.0 in 2020 to RMB34.2 in 2021.

BUSINESS REVIEW

Gaming business

The Company continued to adjust and optimize the existing products in gaming business segment in 2021, focusing on the independent research and development and operation of match-three puzzle games and competitive games, developing the RPG category though deep cooperation under the model of "Investment + Customization", seeking for overseas exquisite games which are suitable for importing into China, and gradually terminating the products which do not fit into the gaming business strategies of the Company. The self-developed games were integrated with animation and trendy products since the initialization of R&D, with an aim to create high-quality IPs in an all-round way and achieve multi-dimensional commercial realization.

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

  The Gardenscapes (夢幻花園) and Homescapes (夢幻家園) series generation II match-three puzzle games released by iDreamSky achieved outstanding performance, maintaining bucking rise in total domestic income in 2021, because we maintained the long life cycle and activity of the game through effective operational activities and secondary development. We granted the overseas release and distribution rights of the Witch Diaries (女巫日記), the first self-developed generation II match-three puzzle game to Tencent in April 2021.

– ***RPG product line***

  Glory All Star (榮耀全明星), the Company's self-developed horizontal version of fighting game product, has performed far better than expectation since it was launched at two terminals of Android and iOS at the end of August 2021. It has had millions of registered users and hundreds of thousands of daily active users. Being loved by players, this product was promoted successfully during the Spring Festival with the endorsement of the super star "Jay Chou", making great achievement in terms of monthly revenue.

– ***Competitive game product line***

- Super Animal Royale (小動物之星), the Company's self-developed competitive mobile game, was officially launched on May 13, 2021, and acquired 3.5 million users in only three months after its launch, gaining a good reputation among players. We signed an exclusive agency agreement with Tencent on August 27, 2021 for our self-developed nijigen game CALABIYAU (卡拉比丘), authorizing Tencent to publish the mobile and PC versions of the game in Mainland China (excluding Hong Kong, Macao and Taiwan). We started a national league for Art of War III (全球行動), the first self-developed RTS game of the Company, in 2021. By far, we have successfully held six tournaments in Wuhan, Xi'an, Shanghai, Chengdu, Changsha and Shenzhen and received good response from players. A synergy was achieved between Shenzhen final tournament and QQfamily offline stores.

- We also cooperate with external partners in e-sports competitions to provide players with better product experience, so as to increase the activity of competitive games and extend the product life cycle.

QQfamily — New Consumption Experience to Generation Z

Thanks to the new business model of experience retail, high-quality content and IP, and the support of Shareholders and partners, our experiential retail business has developed an obvious brand premium capacity and become the latest consumption type that the shopping mall urgently needs to drive the circulation of passenger flow and the growth of staying time. That has brought us rent bargaining power and resource acquisition advantages.

In March 2021, the Company obtained a license of QQfamily IP. On July 24, 2021, the first QQfamily flagship store in China was grandly opened on Shenzhen Happy Coast. In October 2021, the QQfamily Shenzhen Happy Coast Flagship Store hosted the Shenzhen Cultural Expo's sub-venue on the Happy Coast. The model of QQfamily flagship store is the combination of its original model which consists of console experience, with sales of trendy products of various IP themes, which is designed to further enrich the business model of offline store and build the second growth curve of iDreamSky. As of the date of this report, the total number of the Company's offline regular chain stores has increased to 18, and the Company has reserved 12 stores (of which 9 stores are being renovated). Despite the disruption of offline social activities due to the pandemic, the new QQfamily experience retail store performed well. The daily customer flow of the Happy Coast flagship store climbed from 6,000 at the beginning of its opening to 14,000 at the peak, ranking the top in terms of customer flow in the business district where the store is located. As the pandemic eases and the product matrix is further enriched, the financial performance of our offline stores will become more prominent.

In October 2021, we entered into a cooperation agreement for the QTX with Tencent. In November 2021, we successfully held the QTX Preview. In November 2021, we entered into an agreement on licensing of designer toys of QQ Series Images with Tencent. In January 2022, we entered into an agreement on licensing of PUPU ALIENS Images with Tencent. In January 2022, we entered into a tripartite cooperation contract with Dentsu TEC (Shanghai) Culture Communication Co., Ltd. (電通太科(上海)文化傳播有限公司) and Shanghai Feichang Kusuo Culture Technology Co., Ltd. (上海非常酷索文化科技有限公司) in relation to the Panda Imagination Family (Japanese Name: Panda's Ana). In March 2022, we signed an equity subscription agreement and a procurement and distribution agreement with Mighty Jaxx, a future cultural company in Singapore. The above strategic cooperation will help iDreamSky to enrich its high-quality IP reserves and promote the development of trendy product business.

BUSINESS OUTLOOK

Game Business

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

Looking forward to 2022, we have signed a distribution agreement in relation to the iOS versions of the flagship products of the match-three puzzle track game, i.e. Gardenscapes and Homescapes, which we believe will bring superior experience to iOS users with Chinese characteristics. At the same time, we have also deployed the self-developed synthetic match-three puzzle products such as National Customs Synthesis (國風合成) and Dumpling Synthesis (團子合成) (tentative names), which have brand-new paintings and gameplay and are favored by young users. They are expected to start testing in 2022 and launch in due course. Witch Diaries, our self-developed generation II match-three puzzle game, is expected to be launched worldwide in 2022.

– ***RPG product line***

- Glory All Star successfully verified the players' hobbies of the horizontal version of fighting mobile game product in China. The Company will continue to increase investment in this category, and expects to complete the research and development of the overseas version of Glory All Star in 2022 and launch it globally.

- Black Desert (黑色沙漠), a MMORPG mobile game jointly run by Tencent and us, has obtained the publication number on June 28, 2021 and will be launched in the near future. In January 2022, we entered into a joint development/operation agreement with Tencent for a new MMORPG game in China, which is expected to be launched in Q4 of 2022. We are highly focused on our self-developed selection, and we will continue to strengthen the business cooperation model jointly developed/operated with Tencent.

– ***Competitive game product line***

CALABIYAU, our self-developed nijigen competition game, will be officially launched globally in due course; Eternal Return (永恆輪迴) (PC version), our jointly developed competitive game, is expected to undergo national service testing in April 2022.

QQfamily — New Consumption Experience to Generation Z

In 2022, the Company will continue to deploy offline stores, and Tencent Video Great Moment Experience Store will also be optimized and adjusted in due course to become the business model of QQfamily "Experience + Retail". We expect to open up 40 to 50 QQfamily regular chain stores in the coming year, strengthening the coverage of core business districts in the Greater Bay Area, and expanding into Central China, Southwest China, Yangtze River Delta and other regions. We have reserved 12 stores, of which 9 stores are under renovation. In addition, we will also launch online business at an appropriate time to create a closed-loop online and offline business.

We apply our digital capabilities accumulated over the years throughout IP industry chain operation, fully empowering early-stage IP cultivation, IP derivatives development and selection, supply chain management, offline store operation, channel sales, user operation and other links. We will also rely on the QTX to link up more abundant industrial chain resources, strive to cooperate with more well-known IP manufacturers around the world, enrich product lines, and continuously improve a gross profit margin through the in-depth extension and scale-up of the industrial chain.

Despite the offline social disruption caused by the pandemic, our new QQfamily experience retail store performed well. Taking the longest-established Happy Coast flagship store as an example, the daily customer flow of a single flagship store climbed from 6,000 at the beginning of its opening to 14,000 at the peak. From the opening at the end of July 2021 to the end of February 2022, the cumulative number of customer visits reached nearly 600,000, ranking the top in the business district where the store is located. In the future, we will continue to deepen the strategic cooperation with substantial shareholders in terms of resources and ecology, and continue to explore the integration of third-party resources, so as to promote the enrichment and diversification of our IP operation ecosystem. We aim to provide customers with more consumption options, improve the conversion rate of customer flow and increase the operating income.

CORPORATE RESPONSIBILITY

In the past year, China has introduced further policies and regulations on the development of the Internet industry. iDreamSky has taken the corporate social responsibility courageously, further strengthened the protection measures for minors, and created a clean cyberspace for teenagers. In particular, iDreamSky participated in the drafting of three game-related group standards, namely Game Product Innovation Indicators (《遊戲創新指標》), Quality Game Indicators (《精品遊戲指標》) and E-sports Event Classification Framework (《電競賽事分級分類大綱》), and the group standards have been officially approved by the Organization Standardization Technical Committee of China Audio-video and Digital Publishing Association (中國音像與數字出版協會) ("**CADPA**"). In September 2021, under the guidance of the competent national authorities, the Game Publishing Working Committee of CADPA, together with a total of 213 companies including members like iDreamSky and related game enterprises, jointly launched the Anti-addiction and Self-discipline Convention in the Online Game Industry (《網絡遊戲行業防沉迷自律公約》) to jointly create a clean and positive online game industry ecosystem. Up to now, more than 400 enterprises have participated in the convention. For the twelve months ended December 31, 2021, iDreamSky's revenue from minors accounted for 0.07% of our game revenue.

iDreamSky has consistently fulfilled its social responsibilities and responded to social concerns. In July 2021, the heavy rainstorm in Henan Province caused severe disasters. iDreamSky donated RMB1 million to the Red Cross Society of China Zhengzhou Branch (鄭州市紅十字會) to help guarantee the resettlement of local victims, purchase emergency materials and carry out the post-disaster reconstruction. In October 2021, Shanxi Province encountered extreme rainfall, which caused natural and geological disasters. iDreamSky donated RMB1 million to Shanxi Province Charity Federation (山西省慈善總會) to help the local government carry out the emergency rescue work.

ACKNOWLEDGMENTS

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 for the supports to our shareholders and stakeholders for their support.

Chen Xiangyu
Chairman
Shenzhen, the PRC, March 30, 2022

The following table sets forth the comparative figures for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenues	**2,637,637**	3,212,118
Cost of revenues	**(1,534,296)**	(1,876,354)
Gross profit	**1,103,341**	1,335,764
Selling and marketing expenses	**(509,687)**	(339,580)
General and administrative expenses	**(299,793)**	(369,574)
Research and development expenses	**(325,201)**	(325,222)
Net impairment losses on financial assets and contract assets	**(20,580)**	(101,804)
Other income	**53,296**	24,005
Other losses, net	**(14,449)**	(610,481)
Fair value losses on financial assets at fair value through profit or loss	**(3,511)**	(14,998)
Operating loss	**(16,584)**	(401,890)
Finance income	**64,383**	6,691
Finance costs	**(134,416)**	(147,430)
Finance costs, net	**(70,033)**	(140,739)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**(85,662)**	(20,879)
Share of results of investments accounted for using the equity method	**(8,901)**	(10,970)
Loss before income tax	**(181,180)**	(574,478)
Income tax credit	**25,250**	9,482
Loss for the year	**(155,930)**	(564,996)
Adjusted profit for the year	**42,201**	162,253

REVENUE

In 2021, the Group disclosed two reportable segments that are game and information services and experiential retail. For further details of the segment information, please refer to note 5 to the consolidated financial statements.

Revenue decreased by 17.9% to approximately RMB2,637.6 million for the year ended December 31, 2021 on a year-on-year basis (2020: RMB3,212.1 million). Revenue from game and information services and experiential retail represented 98.6% and 1.4% of the Group's total revenue for the year ended December 31, 2021 (2020: 99.8% and 0.2%).

Revenue from game and information services

The following table sets forth our revenue from game and information services for the years ended December 31, 2021 and 2020:

	For the year ended December 31,			
	2021		2020	
	RMB'000	**%**	*RMB'000*	%
Game revenue	**2,297,930**	**88.3**	2,805,562	87.5
Information service revenue	**290,426**	**11.2**	385,680	12.1
Other revenue	**12,720**	**0.5**	14,390	0.4
	2,601,076	**100**	3,205,632	100

- **Game revenue.** Game revenue, which accounts for the largest portion of revenue from game and information services, contributed 88.3% and 87.5% of the total revenue from game and information services for the years ended December 31, 2021 and 2020. Game revenue decreased from RMB2,805.6 million for the year ended December 31, 2020 to RMB2,297.9 million for the year ended December 31, 2021. The decrease was primarily because the Company continued to adjust and optimize the existing products in gaming business segment, and gradually terminated the game content that no longer meets the Company's game business strategy in 2021.

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

	For the year ended December 31,	
	2021	2020
Average MAUs *(millions)*	**128.0**	138.0
Average MPUs *(millions)*	**5.5**	5.9
ARPPU *(RMB)*	**34.2**	38.0

* Our key operating metrics included data from all games published and operated by us. During the year ended December 31, 2021, the mobile version of Cross Gate (魔力寶貝) and FIFPro World Players' Union (全民冠軍足球) and Art of War III were the three games published and operated by Tencent, instead of us.

- **MAUs.** Our average MAUs decreased from 138.0 million in 2020 to 128.0 million in 2021, primarily because the Group gradually terminated products that were no longer in line with the Group's game business strategy.

- **MPUs.** Our average MPUs decreased from 5.9 million in 2020 to 5.5 million in 2021, the reason of which was in line with the decrease of MAUs.

- **ARPPU.** Our ARPPU decreased from RMB38.0 in 2020 to RMB34.2 in 2021, primarily due to the lower proportion of revenue from RPGs, of which the ARPPU was higher.

- **Information service revenue.** Our information service revenue is primarily derived from our advertising services. Information service revenue decreased from RMB385.7 million for the year ended December 31, 2020 to RMB290.4 million for the year ended December 31, 2021. The decrease was primarily due to a significant increase in advertising revenue as a result of increased online advertising placements during the COVID-19 in 2020. In the current year, our online advertising placements have fallen back to normal level, resulting in a decrease in advertising revenue compared to the previous year.

Revenue from experiential retail

Revenue from the Group's experiential retail business is mainly derived from game console experience and retails, as well as sales of trendy products. Due to the Group's strategic deployment and the continuous cultivation of the experiential retail business segment, the Group's revenue from experiential retail business amounted to RMB36.6 million for the year ended December 31, 2021 (2020: RMB6.5 million), representing a year-on-year increase of 463.1%.

COST OF REVENUES

The Group recorded a total cost of revenues of RMB1,534.3 million for the year ended December 31, 2021, with a year-on-year decrease of 18.2% (2020: RMB1,876.4 million). The decrease was primarily due to less channel costs and revenue sharing to content providers in line with the decrease of our revenues.

As a percentage of revenues, our cost of revenues decreased from 58.4% for the year ended December 31, 2020 to 58.2% for the year ended December 31, 2021. The decline was primarily due to the gradual increase in the proportion of the Company's self-developed games, which have a high gross margin.

Selling and marketing expenses

Our selling and marketing expenses increased by 50.1% from RMB339.6 million for the year ended December 31, 2020 to RMB509.7 million for the year ended December 31, 2021. As a percentage of revenues, our selling and marketing expenses increased from 10.6% for the year ended December 31, 2020 to 19.3% for the year ended December 31, 2021. The Company continued increasing its traffic and advertising due to the launch of new games such as Super Animal Royale launched in May 2021, and Glory All Star launched on both Android and iOS in August 2021. In particular, the Company keeps promoting Glory All Star primarily through buying traffic, and it takes a period of time to get the value return therefrom. Therefore, the growth rate of selling and marketing expenses will be higher than that of the revenue for a certain period, which will have a phased impact on the selling and marketing expenses ratio during the Reporting Period.

General and administrative expenses

Our general and administrative expenses decreased by 18.9% from RMB369.6 million for the year ended December 31, 2020 to RMB299.8 million for the year ended December 31, 2021. As a percentage of revenue, our general and administrative expenses decreased from 11.5% for the year ended December 31, 2020 to 11.4% for the year ended December 31, 2021, keeping basically stable for these two years.

Research and development expenses

Our research and development expenses were RMB325.2 million for the year ended December 31, 2021, maintaining the same level as the previous year. As a percentage of revenue, our research and development expenses increased from 10.1% for the year ended December 31, 2020 to 12.3% for the year ended December 31, 2021. This increase was primarily due to our continuous investment in enhancing our game development capabilities and the Group's efforts in improving and perfecting a new tool for user platform management. On the other hand, the Group has increased investment in research and development of our IP derivatives business, such as the development of online applets and data analysis backstage system.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets decreased by 79.8% from RMB101.8 million for the year ended December 31, 2020 to RMB20.6 million for the year ended December 31, 2021. The decrease was primarily due to the Company's increased efforts to collect accounts receivable in 2021, resulting in a significant decrease in the balance of accounts receivable and correspondingly in the amount of impairment provision against the accounts receivable.

Other losses, net

Our other losses, net decreased significantly to RMB14.4 million for the year ended December 31, 2021, compared with other losses, net of RMB610.5 million for the year ended December 31, 2020. The sharp decrease of other losses, net for the year ended December 31, 2021 primarily derived from impairment provision of goodwill of RMB493.7 million arising from our acquisition of Tianjin Huohun (as "**Shanghai Huohun**" in the 2020 Annual Report) in 2020, while there was no such impairment charge in 2021.

Finance costs, net

Our finance costs, net decreased from RMB140.7 million for the year ended December 31, 2020 to RMB70.0 million for the year ended December 31, 2021, which was mainly attributable to: (1) the increase in our finance income of RMB57.7 million resulting from the recognition of a foreign exchange gain of RMB59.1 million in 2021, which was mainly due to the translation of our Euro-denominated bank borrowings whereas Euro against U.S. dollars depreciated during the year; and (2) the balance of our borrowings continued to decrease, and bank interest expenses decreased by RMB11.8 million accordingly.

Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss

We incurred fair value change losses from convertible bonds classified as financial liabilities at fair value through profit or loss of RMB85.7 million for the year ended December 31, 2021, compared with fair value change losses from convertible bonds classified as financial liabilities at fair value through profit or loss of RMB20.9 million for the year ended December 31, 2020, which was mainly attributable to that the USD30.0 million convertible bonds issued in January 2020 were fully converted into shares on July 16, 2021. The investor's conversion price was HKD4.69 per Share. According to the valuation report issued by the valuer, the convertible bonds experienced a significant valuation appreciation on the date of conversion, and the related appreciation amounting to RMB85.7 million was recorded as loss on fair value change in the consolidated statement of comprehensive income on the date of conversion.

Income tax credit

We recorded income tax credit of RMB25.3 million for the year ended December 31, 2021, compared with income tax credit of RMB9.5 million for the year ended December 31, 2020. The higher income tax credit in 2021 was primarily due to the increase in the balance of deferred income tax assets in 2021, which has generated a large amount of credits from deferred tax arising from the increase in the amount of the tax losses.

LOSS/PROFIT FOR THE YEAR

Our net loss for the year decreased by 72.4% from RMB565.0 million for the year ended December 31, 2020 to RMB155.9 million for the year ended December 31, 2021. Our adjusted profit (as defined below) for the year ended December 31, 2021 was RMB42.2 million, and our adjusted profit for the year ended 31 December 2020 was RMB162.3 million.

OTHER FINANCIAL INFORMATION

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Adjusted profit for the year (1)	**42,201**	162,253
EBITDA (2)	**186,585**	(225,668)
Adjusted EBITDA (3)	**322,040**	488,341

Notes:

(1) Adjusted profit for the year was derived from our loss for the year excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment provision of contract assets, impairment provision of investments in associates, fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss, interest expense on convertible bonds, impairment provision for goodwill resulting from a business combination and gain from the reversal of the unpaid consideration payables from a business combination, if any. The adjusted profit for the year of 2020 has been restated to be comparable to that disclosed in 2021.

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

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

Non-IFRS Financial Measure

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the years ended December 31, 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Reconciliation of loss for the year to adjusted profit for the year:		
Loss for the year	**(155,930)**	(564,996)
Add: Fair value losses on financial assets at fair value through profit or loss	**3,511**	14,998
Add: Share-based compensation expenses	**24,894**	89,460
Add: Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**85,662**	20,879
Add: Impairment losses on contract assets	**669**	3,095
Add: Impairment provision of goodwill resulting from a business combination	**—**	493,680
Add: Impairment provision of investments in associates	**20,719**	91,897
Add: Interest expense on convertible bonds	**62,676**	13,240
Adjusted profit for the year	**42,201**	162,253
Reconciliation of loss for the year to EBITDA and adjusted EBITDA:		
Loss for the year	**(155,930)**	(564,996)
Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets	**26,102**	32,945
Add: Amortization of intangible assets	**207,247**	217,947
Add: Income tax credit	**(25,250)**	(9,482)
Add: Interest expense	**134,416**	97,918
EBITDA	**186,585**	(225,668)
Add: Fair value losses on financial assets at fair value through profit or loss	**3,511**	14,998
Add: Share-based compensation expenses	**24,894**	89,460
Add: Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**85,662**	20,879
Add: Impairment losses on contract assets	**669**	3,095
Add: Impairment provision of goodwill resulting from a business combination	**—**	493,680
Add: Impairment provision of investments in associates	**20,719**	91,897
Adjusted EBITDA	**322,040**	488,341

LIQUIDITY AND FINANCIAL RESOURCES

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

As of December 31, 2021, the Group's total cash and cash equivalents decreased by 2.8% to approximately RMB714.8 million from approximately RMB735.6 million as of December 31, 2020. Our cash and cash equivalents were primarily denominated in RMB, HKD and USD.

As of December 31, 2021, the Group's total borrowings amounted to approximately RMB1,350.4 million (2020: approximately RMB1,553.7 million). The nature of the Group's borrowings is summarised as follows:

	As at December 31	
	2021	2020
	RMB'000	*RMB'000*
Secured bank borrowings	**1,330,430**	1,509,633
Secured other borrowings	**—**	44,026
Unsecured bank borrowings	**20,000**	—
	1,350,430	1,553,659

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

	As at December 31	
	2021	2020
	RMB'000	*RMB'000*
RMB	**791,500**	828,177
EUR	**558,930**	725,482
	1,350,430	1,553,659

As of December 31, 2021, the current assets of the Group amounted to approximately RMB3,606.5 million, and the current liabilities of the Group amounted to approximately RMB1,489.6 million. As of December 31, 2021, the current ratio (being the current assets to current liabilities ratio) of the Group was 2.42 as compared with 1.53 as at December 31, 2020.

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 December 31, 2021, the debt ratio of the Group was 36.3% as compared with 45.0% as of December 31, 2020. The Company's debt ratio has been decreasing and the capital structure continuing to be optimized.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, convertible bonds classified as financial liabilities at fair value through profit or loss, amounts due to a related party, interest payable, lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As of December 31, 2021 and 2020, the gearing ratio of the Group is 26.3% and 37.2% respectively.

PLEDGE OF ASSETS

Among the total borrowings of the Group as of December 31, 2021, approximately RMB835.9 million (2020: approximately RMB987.9 million) were secured by the Group's land and buildings, certain trade receivables, certain game intellectual properties and deposits, which accounted for approximately 61.9% (2020: approximately 63.6%) of the Group's total borrowings.

CONTINGENT LIABILITIES

As of December 31, 2021, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (2020: nil).

CAPITAL EXPENDITURE

For the year ended December 31, 2021, our total capital expenditure was approximately RMB266.4 million, compared to approximately RMB765.5 million for the year ended December 31, 2020. Our capital expenditure primarily included expenditures for license fees paid to game developers, land use right, purchase of property, plant and equipment, and property renovation costs. We plan to fund our capital expenditures through a combination of operating cash flows, debt financing and equity financing. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions and disposals and significant investments during the year ended December 31, 2021.

FOREIGN EXCHANGE RISK MANAGEMENT

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

We did not hedge against any fluctuations in foreign exchange during the years ended December 31, 2021 and 2020.

EMPLOYEE AND REMUNERATION POLICY

We had 1,113 and 737 full-time employees as of December 31, 2021 and 2020, respectively. Substantially all of our employees are based in the PRC.

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

USE OF PROCEEDS FROM THE ISSUANCE OF CONVERTIBLE BONDS

On October 16, 2020, Dreambeyond Holdings Limited (a wholly-owned subsidiary of the Company) completed the issue of convertible bonds in an aggregate principal amount of HKD775.0 million with a maturity date on October 15, 2025 (the "**2025 Convertible Bonds**"), with net proceeds of approximately HKD758.0 million, equivalent to approximately RMB638.5 million based on the exchange rate of RMB0.8423 to HKD1.00 (the "**2025 CB Proceeds**"), for the Group's research and development of its own games and products and supplementing its capital for future strategic opportunities. For further details of the 2025 Convertible Bonds, please refer to the announcements of the Company dated October 7, 2020 and October 16, 2020.

For the year ended December 31, 2021, the Company has fully utilized the net proceeds from the 2025 Convertible Bond.

The following table sets out details of the actual amount utilized from 2025 CB Proceeds:

	Actual net amount utilized during the year ended December 31, 2020 *RMB million*	**Unutilized amount as of December 31, 2020** *RMB million*	**Actual net amount utilized during the year ended December 31, 2021** *RMB million*
Research and development of our own games and products	190.3	31.8	31.8
Supplementing for strategic opportunities	120.1	296.3	296.3
Total	310.4	328.1	328.1

Proceeds from Placing of Shares

On December 13, 2021, the Company completed the placing of 72,280,000 ordinary Shares (the "**Placing Shares**") at the price of HK$5.92 per share according to general mandate. The Placing Shares have been successfully 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. After the completion of placing, the Company obtained actual net proceeds of approximately HKD427.04 million, which was equivalent to approximately RMB349.23 million (the "**Proceeds from the Placing Shares**") when translated based on the exchange rate of RMB0.8178 to HKD1.00. For details, please refer to the announcement dated December 13, 2021 of the Company.

As of December 31, 2021, the amount of Proceeds from the Placing Shares used for intended purpose was approximately RMB42.36 million. The unutilized amount as of December 31, 2021 was RMB306.87 million, which is expected to be used for the intended purpose in 2022. The table below sets out details of the utilized amount:

Purpose	**Actual net amount utilized during the year ended December 31, 2021** *RMB million*	**Unutilized amount as of December 31, 2021** *RMB million*
General working capital	16.86	15.14
R&D for expansion of our self-developed game portfolio (1)	25.50	184.50
Expansion of the offline stores of the Group (2)	—	70.00
Other possible investments in the future (3)	—	37.23
Total	42.36	306.87

Notes:

(1) Currently, the self-developed games of the Company under development include match-three puzzle games, shooting and battle arena games and role-playing games, which are expected to be launched in 2022 and/or 2023, depending on the R&D progress.

(2) The Company intends to use the amount for establishing and launching QQfamily offline stores in the CBDs in the first and second tiered cities in Mainland China.

(3) The Company may pursue other possible investment opportunities in the future, including but not limited to establishing strategic alliances and partnership, and seek to invest in and acquire businesses that are synergistic and complementary to the Group's ecosystem, including the business or assets that can enhance the Company's game development capabilities and experiential retail business.

UPDATES ON ACQUISITION OF TIANJIN HUOHUN

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

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

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

The management believed that Tianjin Huohun was an independent cash generating unit ("**Tianjin Huohun CGU**") and allocated goodwill to Tianjin Huohun CGU. The recoverable amount of Tianjin Huohun CGU was calculated based on the use value as at December 31, 2020 and December 31, 2021. Such calculations were based on the pre-tax cash flow assumptions in the five-year financial budget prepared by the management. The cash flow after the five-year period was estimated based on the following estimated terminal growth rate.

Pursuant to paragraph 10 of IAS36", goodwill acquired in a business combination to be tested for impairment annually", the management engaged an independent valuer, AVISTA to carry out impairment assessment on the goodwill. For the assessment on the recoverable amount of Tianjin Huohun CGU as of December 31, 2019 and 2020, the Group recorded an impairment loss of Tianjin Huohun goodwill of RMB422.33 million and RMB493.68 million for the years ended December 31, 2019 and 2020 respectively. For further details, please refer to the annual reports of the Company for 2019 and 2020.

The parameters used for the calculation of use value as at December 31, 2021 are as follows:

	As of December 31,	
	2021	2020
Average revenue growth rate during the forecast period	**-6.85%**	-5.34%
EBITDA margin	**15.29–74.58%**	41.30%–59.47%
Terminal growth rate	**3.00%**	3.00%
Pre-tax discount rate	**31.28%**	30.15%

The Group believed that the selection basis and criteria and key assumptions adopted by AVISTA were fair and reasonable.

When conducting the valuation, AVISTA primarily took into account the financial budget and forecast prepared by the management of Tianjin Huohun, with reference to (1) the average revenue growth rate of Tianjin Huohun from FY2022 to FY2026；(2) the EBITDA margin from FY2022 to FY2026；(3) the terminal growth rate；and (4) the 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 CEO of the Company for final review and approval.

Based on the estimation of the management on the recoverable amount of Tianjin Huohun CGU during the period, no further impairment loss on goodwill was required as of December 31, 2021.

IMPAIRMENT FROM INVESTMENT IN ASSOCIATES

Guangzhou Tizi Internet Technology Co., Ltd. ("**Guangzhou Tizi**") was incorporated in February 2014, mainly engaging in the research and development and operation of mobile games. The Group acquired 20% equity of Guangzhou Tizi with the investment of RMB6.00 million in October 2014. Because the Group may exercise significant influence over the operation and financial decisions of Guangzhou Tizi by appointing a director of Guangzhou Tizi, the investment was recorded as an investment in associate.

The Group made an additional investment of RMB8.00 million into Guangzhou Tizi in March 2016. Upon the completion of the additional investment, the Group held an aggregate of 30.67% equity interests in Guangzhou Tizi.

The Group has maintained regular communication with Guangzhou Tizi for its business development and financial performance since it became an associate of the Group. However, since May 2021, the Group became aware that Guangzhou Tizi was facing financial difficulties due to the following factors: (1) inability to generate enough cash flow from the existing games, most of which were at the end of their life cycle；and (2) inability to launch new games due to lack of licensed copyright.

In view of the above, the management has conducted an impairment assessment of the recoverable amount of the investment in Guangzhou Tizi based on the latest available information, and made an impairment provision of RMB12.34 million.

In addition, the management made an impairment provision of RMB8.38 million for the investment in Shanghai Shengxi Network Technology Co., Ltd. (上海盛戲網絡科技有限公司).

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended December 31, 2021 (2020: Nil).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Analysis of the principal activities of the Group is set out in note 1 to the audited consolidated financial statements.

Business Review and Outlook

A review of our business, a discussion and analysis of our performance during the year, the material factors underlying our results and financial position, certain material events occurred during the year, and the future development of our business have been set out in the section headed "Management Discussion and Analysis" on pages 11 to 24 of this annual report.

Post Balance Sheet Events

The material post balance sheet events are disclosed in note 41 to the consolidated financial statements.

Principal Risks and Uncertainties

We face various risks involved in our daily business operations, including risks that are specific to our game publishing business as well as the industry and regulatory landscape in the PRC. In particular, our commercial launch of mobile games is subject to certain pre-approval and post-filing procedures with the relevant competent regulatory authorities in the PRC, which may change from time to time. For details, please refer to the section headed "Corporate Governance Report — Risk Management and Internal Control" on pages 78 to 82 in this annual report.

We also operate our business under Contractual Arrangements, and are therefore subject to the risks relating to the Contractual Arrangements. For details, please refer to the section headed "Contractual Arrangements — Risks relating to Contractual Arrangements" on page 51 to 52 of this annual report.

Environmental Performance and Policies

The Group is a digital entertainment platform that publishes games through mobile apps and websites. Its business operation involves minimum direct discharge of pollutants or hazardous waste to the environment. However, the Group is committed to minimizing the impact on the environment from our business activities. In particular, the Group adheres to green, low-carbon office concept and encourages its employees to participate in resource conservation during their daily work at the office. Further details are set out in the section headed "Environmental, Social and Governance Report — Environment" on pages 85 to 136 in this annual report.

Compliance with Laws and Regulations

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

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

Relationship with Major Stakeholders

We recognize the importance of good corporate governance to our sustainable growth, and strive to maintain effective communication with our major stakeholders, including our Shareholders, employees, customers, suppliers, business partners, the government and, in a broad sense, the community through a range of communication channels, such as WeChat Official Account, our official website and emails to maintain a close and harmonious relationship with them and ultimately achieve long-term success of our Group.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of comprehensive income on pages 143 to 144 of this annual report.

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021 (2020: Nil).

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 of this annual report, and the figures for the year ended December 31, 2017 are extracted from the Prospectus. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2021, revenue generated from the Group's five largest customers accounted for 7.9% (2020: 8.4%) of the Group's total revenue and our single largest customer accounted for 3.8% (2020: 3.8%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 16.9% (2020: 12.9%) of the Group's total purchases and our single largest supplier accounted for 6.7% (2020: 3.3%) of the Group's total purchases.

During the year ended December 31, 2021, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Company's five largest customers and suppliers.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company as at December 31, 2021 are set out in note 30 to the consolidated financial statements.

HUMAN RESOURCES

As at December 31, 2021, the Group had 1,113 employees (2020: 737). The total remuneration expenses, excluding share-based compensation expense, for the year ended December 31, 2021 were RMB301.9 million, representing an increase of 16.9% as compared to the year ended December 31, 2020. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended December 31, 2021 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2021 are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group for the year ended December 31, 2021 are set out in note 28 to the consolidated financial statement.

DISTRIBUTABLE RESERVES

As at December 31, 2021, we did not have any distributable reserves (2020: nil).

TAXATION

Tax position of the Group for the year ended December 31, 2021 is set forth in note 12 to the consolidated financial statements.

DIRECTORS

The Directors as at December 31, 2021 and up to the date of this annual report are:

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

In accordance with article 16.19 of the Articles of Association ("**Articles of Association**"), Mr. Guan Song, Mr. Jeffrey Lyndon Ko, Ms. Yu Bin and Mr. Zhang Weining shall retire by rotation, and being eligible, have offered himself/herself for re-election at the AGM.

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

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 56 to 61 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

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

EMOLUMENT POLICY

A remuneration and appraisal committee has been set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors and five highest paid individuals for the year ended December 31, 2021 are set out in note 10 to the consolidated financial statements. The emoluments of senior management team (which comprises our executive Directors and other senior management members) fell within the following bands:

	Number of senior management	
	2021	2020
HKD0 to HKD10,000,000	**5**	5
HKD10,000,001 to HKD15,000,000	**—**	—
	5	5

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

Our executive Director, Mr. Chen Xiangyu, is the founder and the largest Shareholder of our Company holding approximately 18.42% interest in the total issued Share capital of our Company as at the date of this annual report. Mr. Chen has held interests as a limited partner in certain venture capital funds and/or angel investment funds which may from time to time invest in technology companies, and his economic interest in such funds was insignificant.

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

Save as disclosed above, as at December 31, 2021, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete, directly or indirectly, with our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended December 31, 2021.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

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

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

As at December 31, 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the 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:

(i) Interest in Shares and underlying Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares held[(6)]	Approximate percentage of interest in the Company[(1) (5)]
Mr. Chen Xiangyu ("**Mr. Chen**")[(2)]	Beneficial owner	3,682,400(L)	0.27%
	Interest of controlled corporation	256,702,722(L)	18.50%
Mr. Guan Song ("**Mr. Guan**")[(3)]	Interest of controlled corporation	47,337,220(L)	3.41%
Mr. Jeffrey Lyndon Ko ("**Mr. Ko**")[(4)]	Interest of controlled corporation	13,965,000(L)	1.01%

Notes:

(1) The percentages are calculated on the basis of 1,387,475,615 Shares in issue as at December 31, 2021.

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

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

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

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

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

(ii) Interest in associated corporations

Name of Director	Associated corporation	Capacity/Nature of Interest	Number of shares held	Percentage of shareholding in the associated corporation
Mr. Chen Xiangyu	Shenzhen Mengyu Technology Co., Ltd.	Beneficial owner	500,000(L)	5.00%

Save as disclosed above, as at December 31, 2021, 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

As at November 28, 2021, the Company entered into a subscription agreement with Brilliant Seed, pursuant to which Brilliant Seed has conditionally agreed to subscribe for the allotment and issue of 13,141,892 shares of the Company respectively at a subscription price of HKD5.92. Brilliant Seed is wholly owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed. The Brilliant Seed Subscription Agreement involves connected transactions, therefore, the Company has complied with the relevant provisions of Chapter 14A of the Listing Rules. For details, please refer to the Company's announcements dated November 28, 2021, February 16 and February 28, 2022, and the Company's circular dated January 20, 2022.

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

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

As at December 31, 2021, 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(6)(7)(8)	Approximate percentage of interest in the Company(1)(5)
Brilliant Seed(2)	Beneficial owner	256,702,722(L)	18.50%
Mr. Chen(2)	Beneficial owner	3,682,400(L)	0.27%
	Interest of controlled corporation	256,702,722(L)	18.50%
Tencent Mobility Limited(3)	Beneficial owner	249,141,192(L)	17.96%
Tencent Holdings Limited(3)	Interest of controlled corporation	249,141,192(L)	17.96%
iDreamSky Technology Limited(4)	Beneficial owner	107,289,905(L)	7.73%
Dream Investment Holdings Limited(4)	Interest of controlled corporation	107,289,905(L)	7.73%
Dream Technology Holdings Limited(4)	Interest of controlled corporation	107,289,905(L)	7.73%
Bank of America Corporation	Interest of controlled corporation	217,448,332(L)	15.67%
	Interest of controlled corporation	217,247,843(S)	15.66%
JPMorgan Chase & Co.	Interest of controlled corporation	71,323,413(L)	5.14%
	Interest of controlled corporation	46,436,396(S)	3.34%
	Interest of controlled corporation	189,125(P)	0.01%

Notes:

(1) The percentages are calculated on the basis of 1,387,475,615 Shares in issue as at December 31, 2021.

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

(3) Tencent Mobility 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 shareholding of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.

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

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

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

(8) The letter "P" denotes the person's Shares available for lending in such Shares.

Save as disclosed above, as at December 31, 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

From the Listing Date to December 31, 2021, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding share option scheme.

RSU PLAN

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

Principal Terms of the RSU Plan

Purpose

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

Eligible Participants

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

Maximum Number of Shares

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

Administration

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

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

Award of RSUs

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

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

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

1. a grant of Award must not be made after inside information has come to the knowledge of the Administrator until such inside information has been announced in accordance with the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any such year, half-year, quarter or interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;

2. 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 of half-year period up to the publication date of the results;

3. a grant of Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to prior approval of the independent non-executive Directors (except the independent non-executive Director who is the proposed grantee in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. However, if the Award forms part of the relevant Director's remuneration under his service contract, the grant of Award to such Director will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Awards shall not be assignable or transferable, except for (i) assignment or transfer from a grantee to a company wholly owned by him or between two companies both of which are wholly owned by him; or (ii) following the grantee's death, transfer by will or by the laws of testacy and distribution.

Details of the RSUs granted under the RSU Plan

As at December 31, 2021, the aggregate number of shares underlying RSUs granted under the RSU Plan was 95,350,564* shares and the aggregate number of shares underlying RSUs vested and forfeit under the RSU Plan was 59,650,091* and 24,868,730* 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 Date.

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

During the year ended December 31, 2021, an aggregate of 8,085,721* Shares were granted by the RSU Holding Entities to the Participants (who are not our Directors, senior management and their associates), of which 4,465,700* Shares were without vesting conditions. Out of the remaining 3,620,021* Shares, the vesting period of 800,000* Shares is one year and the vesting schedule is 100% after 12 months from the original grant date; the vesting period of 2,484,021* Shares is three years and the vesting schedule is 1/3 after 12 months from the original grant date and the remaining 2/3 will vest in two equal installments over the next two years; the vesting period of 336,000* Shares is four years and the vesting schedule is 25% after 12 months from the original grant date and the remaining 75% will vest in three equal installments over the next several years.

During the year ended December 31, 2020, RSU Holding Entities granted aggregate of 18,566,947* shares to Participants (who are not our Directors, senior management and their associates), among which 3,647,147* shares are without vesting conditions. Out of the remaining 14,919,800* shares, the vesting period for 112,779* shares is one year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 24,000* shares is two years, and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 8,373,322* shares is three years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in two equal installments over the next two years; the vesting period for 6,409,699* shares is four years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in three equal installments over the next years.

During the year ended December 31, 2019, RSU Holding Entities granted an aggregate of 16,492,066* shares to Participants (who are not our Directors, senior management and their associates), among which 2,601,251* shares are without vesting conditions. Out of the remaining 13,890,815* shares, the vesting period for 75,362* shares is one year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 6,855,065* shares is three years, and the vesting schedule is 1/3 after 12 months from original grant date and the remaining 2/3 will vest in two equal installments over the next two years; the vesting period for 6,960,388* shares is four years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in three equal installments over the next few years.

During the year ended December 31, 2018, RSUs granted in respect of 28,251,380* shares to Participants (who are not our Directors, senior management and their associates) have a vesting schedule of 32 months, 25% of which were vested on July 1, 2018, 25% were vested on March 1, 2019, 25% will vest on March 1, 2020, and 25% will vest on March 1, 2021.

During the year ended December 31, 2018, RSUs granted in respect of 6,867,710* shares to Participants (who are not our Directors, senior management and their associates) have a vesting schedule of 48 months, 25% of which were vested on July 1, 2019, 25% were vested on July 1, 2020, 25% will vest on July 1, 2021, and 25% will vest on July 1, 2022.

During the year ended December 31, 2018, RSUs granted in respect of 4,064,620* shares to Participants (who are not our directors, senior management and their associates) were vested on July 1, 2018.

RSUs granted to our directors, senior management and their associates

As at December 31, 2021 and 2020, no RSUs were granted to our Directors under the RSU Plan. RSUs in respect of 1,594,650* shares were granted to an associate of our Directors on July 1, 2018, and all such RSUs were vested on the same date.

* Upon the completion of the Global Offering and the Capitalization Issue (as defined in the Prospectus).

EQUITY-LINKED AGREEMENTS

Placing of new shares under general mandate

On November 26, 2021, the Company and First Shanghai Securities Limited (the "**Placing Agent**") entered into the Placing Agreement (the "**Placing Agreement**"), pursuant to which the Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as the agent for the Company, to procure, on a best effort basis, Placees to subscribe for the Placing shares at the placing price of HK$5.92 for each Placing Share (the "**Placing**"). Completion of the Placing took place on December 13, 2021. A total of 72,280,000 Placing shares have been placed by the Placing Agent to five Placees at the placing price of HK$5.92 for each Placing Share in accordance with the terms and conditions of the Placing Agreement, resulting in the increase of the total issued share capital of the Company to 1,387,475,615 shares. As far as the directors of the Company are aware, none of the placees has become a substantial shareholder of the Company immediately after completion of the Placing. For details, please refer to the announcements of the Company dated November 28, 2021 and December 13, 2021.

Subscription for new shares under specific mandate

On November 28, 2021, the Company entered into the Brilliant Seed Subscription Agreement, the Tencent Subscription Agreement and the Instant Sparkle Subscription Agreement, pursuant to which each of Brilliant Seed, Tencent Mobility and Instant Sparkle has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 13,141,892 Subscription shares, 13,141,892 Subscription shares and 6,570,946 Subscription shares, respectively at the subscription price of HK$5.92 for each subscription share (the "**Subscription**"). The Subscription was approved by the independent shareholders at the extraordinary general meeting of the Company held on February 16, 2022. On February 28, 2022, a total of 32,854,730 ordinary shares were issued, resulting in the increase of the total issued share capital of the Company to 1,420,330,345 shares. For details, please refer to the announcements of the Company dated November 28, 2021, February 16 and February 28, 2022, and the circular of the company dated January 20, 2022.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, as the Board considered that the price of the Company's shares did not reflect their intrinsic value, the share repurchase program could reflect the Board's confidence in the Company's development prospects, the total number of shares repurchased by the Company in January and April 2021 respectively on the Stock Exchange were 700,000 shares and 901,200 shares (1,601,200 shares in aggregate) at a total consideration (before deduction of expenses) of HK$6,140,717.64. These shares together with the 2,600,000 shares repurchased in December 2020, totaling 4,201,200 shares, have been canceled on June 29, 2021.

The details of repurchase are set out as below:

Month	Number of Shares repurchased	Highest purchase price per Share	Lowest purchase price per Share	Total consideration (before deduction of expenses)
		HK$	*HK$*	*HK$*
January 2021	700,000	4.100	3.680	2,770,500.00
April 2021	901,200	3.765	3.720	3,370,217.64
	1,601,200			6,140,717.64

Save as disclosed above, the Group had not purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2021.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION UNDERTAKING

Mr. Chen Xiangyu has executed a power of attorney (the "**Power of Attorney**") on May 10, 2018, under which Mr. Chen has undertaken that, without the prior written consent of the WFOE, he will not use any information obtained from Shenzhen iDreamSky to engage in any business which competes or potentially competes with Shenzhen iDreamSky or its affiliates. The Company has received an annual confirmation from Mr. Chen Xiangyu that he has complied with the non-competition undertaking from the date of the Power of Attorney to December 31, 2021 for disclosure in this annual report. For details on non-competition undertaking, please refer to the section headed "Relationship with our Single Largest Shareholder" in the Prospectus.

The independent non-executive Directors have reviewed the performance of the non-competition undertaking from the date of the Power of Attorney to December 31, 2021 based on the information provided and/or confirmed by Mr. Chen, and are satisfied that Mr. Chen has complied with the non-competition undertaking.

CONNECTED TRANSACTIONS

Disposal of interests in investee

On March 25, 2021 (after trading hours), Shenzhen iDreamSky, a wholly-owned subsidiary of the Company, entered into an investment agreement with Linzhi Tencent Investment Management Co., Ltd. ("**Linzhi Tencent**") in relation to the disposal of approximately 4.99% of the shares of Shanghai Pangbuding to Linzhi Tencent in the total consideration of RMB6.75 million (the "**Disposal**"). Immediately before the completion of the Disposal, Shenzhen iDreamSky held approximately 7.48% of the shares of Shanghai Pangbuding. Upon the completion, the proportion of shares held by Shenzhen iDreamSky reduced to approximately 2.24%.

As at the signing date of the above investment agreement, Tencent is a substantial shareholder of the Company holding through its wholly-owned subsidiaries approximately 18.59% of the total issued shares of the Company. Linzhi Tencent is a wholly-owned subsidiary of Shenzhen Tencent Industry Fund (a subsidiary of Tencent), and is therefore a connected person of the Company. Accordingly, the above Disposal constitutes the connected transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Company considers the Disposal will enable Tencent and the Company to further cooperate on the investment in Shanghai Pangbuding. The Directors (including the independent non-executive Directors) of the Company are of the view that the terms of the investment agreement and the Disposal are conducted in the ordinary and usual business of the Company and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu, all being non-executive Directors of the Company, hold positions in Tencent and have therefore abstained from voting on the relevant Board resolutions approving investment agreement and the proposed Disposal.

For details, please refer to the announcement of the Company dated March 25, 2021.

Subscription for shares under specific mandate

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

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

The Subscription was approved by the independent Shareholders at the extraordinary general meeting of the Company on February 16, 2022, and the issuance of a total of 32,854,730 ordinary shares was completed on February 28, 2022.

For details, please refer to the announcements of the Company dated November 28, 2021, and February 16 and 28, 2022 and the circular of the Company dated January 20, 2022.

CONTINUING CONNECTED TRANSACTIONS

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

Summary of the Continuing Connected Transaction Agreement

As of the date of this report, the following transactions of our Group constitute the continuing connected transactions of the Company for the year ended December 31, 2021.

Advertising Cooperation Framework Agreement

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

The 2021 Advertising Cooperation Framework Agreement also provided for the proposed annual caps for the advertising service fees payable by Tencent Group to the Group for the three years ending December 31, 2023. For the proposed annual caps and the actual transaction amounts as at December 31, 2021, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 46 of this section.

(a) *Reasons for the Transactions*

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

(b) *Listing Rules Implications*

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

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

Payment Service Framework Agreement

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

The 2021 Payment Service Framework Agreement also provided for the proposed annual caps for the payment service fee payable by the Group to Tencent Group for the three years ending December 31, 2023. For the proposed annual caps and the actual transaction amounts as at December 31, 2021, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 46 of this section.

(a) Reasons for the Transactions

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

(b) Listing Rules Implications

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

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

Products and Services Purchasing Framework Agreement

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

The 2021 Products and Services Purchasing Framework Agreement also provided for the proposed annual caps for the products and procurement fees payable by the Group to Tencent Group for the three years ending December 31, 2023. For the proposed annual caps and the actual transaction amounts as at December 31, 2021, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 46 of this section.

(a) *Reasons for the Transactions*

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

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

(b) *Listing Rules Implications*

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

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

IP Cooperation Framework Agreement

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

The 2021 IP Cooperation Framework Agreement also provided for the proposed annual caps for the relevant fees payable by the Group to Tencent Group for the years ending December 31, 2021.

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

In addition, the Amended 2021 IP Cooperation Framework Agreement adjusted the proposed annual caps for the relevant fees payable by the Group to Tencent Group for the years ended December 31, 2021, and supplemented the proposed annual caps for 2022 and 2023, respectively. For the proposed annual caps and the actual transaction amounts as at December 31, 2021, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 46 of this section.

(a) *Reasons for the Transactions*

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

(b) *Listing Rules Implications*

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

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

Game Cooperation Framework Agreement

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

The 2021 Game Cooperation Framework Agreement also provided for the proposed annual caps for the distribution fee and/or revenue share payable by the Group to Tencent Group and the distribution fee and/or revenue share payable by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ending December 31, 2023. In view of (i) the anticipated demand from Tencent Group for the Group's customized development services, and (ii) the strengthening of cooperation with Tencent Group, Shenzhen iDreamSky and Tencent Computer amended the 2021 Game Cooperation Framework Agreement on August 12, 2021 (the "**Amended 2021 Game Cooperation Framework Agreement**"), pursuant to which, except for the amendment of the annual caps, the terms of the 2021 Game Cooperation Framework Agreement remain unchanged. For the proposed annual caps and the actual transaction amounts as at December 31, 2021, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 46 of this section.

(a) *Reasons for the Transactions*

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

(b) *Listing Rules Implications*

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

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

QQfamily Cooperation Agreement

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

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

The term of the QQfamily Cooperation Agreement commenced on March 1, 2021 and will expire on February 28, 2026. The QQfamily Cooperation Agreement also provided for the proposed annual caps for the licensing fees payable by the Group to Tencent Technology during the contract period. For the proposed annual caps and the actual transaction amounts as at December 31, 2021, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 46 of this section.

(a) Reasons for the Transactions

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

(b) Listing Rules Implications

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

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

Review of Annual Caps of the Continuing Connected Transactions

A summary of the proposed annual caps and the actual transaction amounts of the above continuing connected transactions for the year ended December 31, 2021 is set out as follows:

Continuing Connected Transactions	Proposed Annual Cap for 2021 *RMB*	Actual Transaction Amount in 2021 *RMB*
2021 Advertising Cooperation Framework Agreement (Revenue-based)		
Advertising service fee payable by Tencent Group to our Group	46,800,000	13,104,000
2021 Payment Service Framework Agreement (Expense-based)		
Payment service fee payable by our Group to Tencent Group	4,320,000	3,266,000
2021 Products and Services Purchasing Framework Agreement (Expense-based)		
Procurement fee payable by our Group to Tencent Group for products and services	21,000,000	18,294,000
Amended 2021 IP Cooperation Framework Agreement (Expense-based)		
Licensing fee and/or revenue share payable by our Group to the Tencent Group	20,400,000	7,934,000
Amended 2021 Game Cooperation Framework Agreement		
Distribution fee payable by our Group to Tencent Group	19,800,000	6,928,000
Licensing fee payable by Tencent Group to our Group in the form of revenue sharing	92,906,000	33,905,000
Licensing fee payable by our Group to Tencent Group	36,866,000	—
Customized development fee payable by Tencent Group to our Group	21,667,000	—
QQfamily Cooperation Agreement (based on expenses, period from March 1, 2021 to December 31, 2022)		
Licensing fee for the QQfamily IPs payable by our Group to Tencent Group	1,667,000	1,572,000

Annual Review by our Independent Non-Executive Directors and Auditor

For the year ended December 31, 2021, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that the transactions have been entered into:

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

The auditor of the Company has performed certain pre-determined procedures regarding the continuing connected transactions entered into by the Company as set out above for the year ended December 31, 2021, and states that:

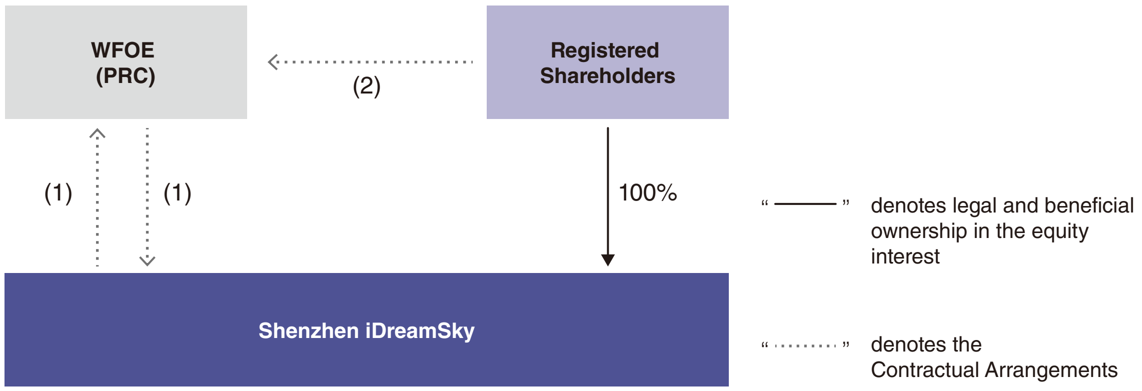
1. the transactions have been approved by the Board;
2. the transactions were, in all material respects, in accordance with the pricing policies of the Company;
3. the transactions were entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and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

Details of the related party transactions carried out in the normal course of business are set out in note 38 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Our Company has entered into a series of Contractual Arrangements with the WFOE and our PRC Consolidated Affiliated Entities, pursuant to which our Company would gain effective control over, and receive all the economic benefits generated by, the businesses operated by our PRC Consolidated Affiliated Entities. Accordingly, through the Contractual Arrangements, the results of operations and assets and liabilities of Shenzhen iDreamSky and its subsidiaries are consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. The total revenue of our PRC Consolidated Affiliated Entities during the year ended December 31, 2021 was approximately RMB2,531.8 million, and the total assets of our PRC Consolidated Affiliated Entities as at December 31, 2021 was approximately RMB5,085.2 million.

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



Notes:

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

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

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

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

Summary of the Contractual Arrangements

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

Exclusive Business Cooperation Agreement

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

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

Exclusive Option Agreement

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

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

Equity Pledge Agreement

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

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

Powers of Attorney

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

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

Spouse Undertakings and Confirmations from the Relevant Individual Shareholders

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

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

Reasons for adopting the Contractual Arrangements

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

Risks relating to the Contractual Arrangements

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

Annual Review by our Independent Non-Executive Directors and Auditor

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

1. the transactions carried out during the year ended December 31, 2021 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
2. no dividends or other distributions had been made by our PRC Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
3. other than the Contractual Arrangements, no new contracts had been entered into, renewed and/or reproduced between our Group and the PRC Consolidated Affiliated Entities during the year ended December 31, 2021; and
4. the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable so far as our Group is concerned, and in the interest of our Company and its Shareholders as a whole.

Our Auditor has confirmed in a letter to our Board that the transactions under the Contractual Arrangements have been approved by our Board, the transactions carried out during the year ended December 31, 2021 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by our PRC Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

DONATIONS

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

In July 2021, the heavy rain in Henan province caused severe disasters, and the Company donated RMB1.0 million to the Red Cross Society of China Zhengzhou Branch to help ensure the resettlement of local victims, procurement of emergency supplies and post-disaster reconstruction.

In October 2021, Shanxi Province was hit by extreme rainfall, which caused natural and geological disasters. The Company donated RMB1.0 million to the Shanxi Province Charity Federation, assisting in carrying out emergency rescue and disaster relief.

In February 2022, the fifth round of COVID-19 in Hong Kong became tenser and the number of confirmed cases continued to increase. The Company donated HKD1.0 million for the procurement of anti-epidemic supplies, which was coordinated by the Hong Kong Police Welfare Fund. In addition, our Company made emergency preparations to donate 1,000 N95 masks, 300 pairs of goggles and 500 suits of protective clothing on February 28, 2022 after learning of the shortage of protective materials for front-line journalists of the Hong Kong Ta Kung Pao.

ISSUANCE OF DEBENTURES

During the Reporting Period, no issuance of debentures was made by the Company. However, on January 3, 2020, the Company issued convertible bonds to Poly Platinum Enterprises Limited in the principal amount of US$30.0 million pursuant to the subscription agreement with Poly Platinum Enterprises Limited dated November 26, 2019. For further details, please refer to the announcements of the Company dated November 26, 2019 and January 3, 2020, respectively. On 16 July 2021, the total share capital of the Company was increased by 49,677,825 shares as a result of the issue of conversion shares upon exercise of the conversion rights attached to the convertible bonds by Poly Platinum Enterprises Limited.

In addition, on October 6, 2020, DHL and Merrill Lynch (Asia Pacific) Limited (the "**Manager**") entered into a subscription agreement, pursuant to which the Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds to be issued by DHL in an aggregate principal amount of HKD775.0 million, which was completed on October 16, 2020. Pursuant to the above subscription agreement, the convertible bonds are convertible into shares of the Company at any time during the conversion period and the initial conversion price is set at HKD4.99 per share. For further details of the issue of the convertible bonds, please refer to the Company's announcements dated October 7, 2020 and October 16, 2020, respectively.

SIGNIFICANT LEGAL PROCEEDINGS

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

PERMITTED INDEMNITY PROVISION

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

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

For the years ended December 31, 2021 and December 31, 2020, no forfeited contribution is utilized to offset employers' contributions and no forfeited contribution is available to reduce the contribution payable in the future years.

Details of the retirement and employee benefits scheme of the Company are set out in note 10 to the consolidated financial statements.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 62 to 84 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

AUDITOR

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

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

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

On behalf of the Board
Chen Xiangyu
Chairman

Shenzhen, the PRC, March 30, 2022

Directors

Executive Directors

Mr. Chen Xiangyu (陳湘宇), aged 39, is an executive Director, Chairman of the Board and Chief Executive Officer of our Company. Mr. Chen has more than fifteen years of experience in mobile games, telecommunication, technology and management and is fully responsible for overseeing the Company's strategy, business and management, as well as the Company's experiential retail business segments. Mr. Chen is a co-founder and also serves as the chief executive officer and a director of Shenzhen iDreamSky, a director of Shenzhen Mengyu and a director of Chuangyi Shikong. Mr. Chen has received numerous awards and recognitions for his entrepreneurship and industry expertise, including being listed as one of the "40 Elite Individuals in Business Under the age of 40 in the PRC" (中國40位40歲以下的商界精英) in years 2014 and 2016 by Fortune Magazine (Chinese edition), being listed as one of the "Top 10 PRC Entrepreneurs Born in 1980s" (中國十大八零後創業家) by the Hurun Report (胡潤百富) in 2016, being listed as one of the "100 Most Innovative Individuals in PRC Business of 2016" (2016中國商業最具創意人物100) by the Fast Company Magazine, being awarded the Young Individual in Technology Award (青年科技獎) by the Shenzhen Science and Technology Association (深圳市科學技術協會) in 2017 and being selected as "Remarkable Young Entrepreneur of the Year in Shenzhen" (深圳青年創業年度風雲人物). In 2016, Mr. Chen was appointed as "Ambassador of Innovative Entrepreneurship of Nanshan District" (南山區創新創業形象大使) by the government of Nanshan District, Shenzhen, the PRC. In July 2017, he was nominated to the position of committee member of the Youth Association of Shenzhen (深圳市青年聯合會委員). Prior to joining our Group, Mr. Chen has held various positions in the telecommunications and technology industries, including serving as project manager at the overseas projects division of Achievo Information Technology (Shenzhen) Co., Ltd. (深圳市大展信息科技有限公司) from October 2008 to November 2009. Mr. Chen received his bachelor's degree in computer science and technology from the Central South University in the PRC in July 2000.

Mr. Guan Song (關嵩), aged 40, is an executive Director and Chief Technology Officer of our Company. Mr. Guan is also a co-founder and the chief technology officer of Shenzhen iDreamSky. Mr. Guan has more than fifteen years of experience in the telecommunications, technology and Internet, and is fully responsible for supervising the Company's business core technology deposition, international cutting-edge technology application research. Mr. Guan is the joint inventor of a Chinese invention patent and led the development of more than 10 game software products. Prior to joining our Group, Mr. Guan has held various positions in the telecommunications, technology and Internet industries, including serving as project manager at Achievo Information Technology (Shenzhen) Co., Ltd. (深圳市大展信息科技有限公司) from December 2006 to March 2010. Mr. Guan is certificated for High-Level Professional in Shenzhen by Human and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局). Mr. Guan received a bachelor's degree in software engineering from Zhejiang University in the PRC in June 2004.

Mr. Jeffrey Lyndon Ko (高煉惇), aged 39, is an executive Director and President of our Company. Mr. Ko is also a co-founder and the president of Shenzhen iDreamSky. Mr. Ko has more than twenty years of experience in the games industry and is fully responsible for overseeing the Company's game business segment, as well as overseas strategy, overseas pipeline connection and overseas investment. Except for holding positions in the Group, Mr. Ko was appointed as a special expert of expert think tank by China Game Industry Research Institute in August 2021, and was elected as the president of the Shenzhen ESports Association on November 2018. He also served as the honorary advisor of Hong Kong Esports Club Limited and the honorary president of Macau E-Sports Federation. In 2009, Mr. Ko was awarded a "Developer 30 Under 30 Award" from DEVELOP magazine. He was the first person of Chinese descent to have received such award. In 2018, Mr. Ko was awarded as one of the Top 100 Generation Talents with Most Potential of China.

Non-executive Directors

Mr. Ma Xiaoyi (馬曉軼), aged 47, was appointed as our non-executive Director in May 2018. Mr. Ma has extensive industry experience in the telecommunications and games industries. He joined Tencent in 2007 and is currently the senior vice president of Tencent, where he is responsible for international distribution of Tencent games, establishing and maintaining long-term business partnerships and cooperation for Tencent since November 2008. Before that, Mr. Ma served as general manager of the game business department of Optic Communication Co., Ltd. (廣州光通通信發展有限公司) from January 2003 to April 2007, where he was responsible for online gaming business. Mr. Ma obtained his EMBA degree from Fudan University in the PRC in June 2008.

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

Mr. Zhang Han (張涵), aged 41, was appointed as a non-executive Director of our Company in April 2020. Mr. Zhang is currently a partner of Sequoia Capital China. Prior to that, Mr. Zhang served as a partner of Redpoint China Ventures (紅點中國創業投資基金) from 2017 to 2021, Mr. Zhang served as a partner of Redpoint Ventures (紅點創業投資基金) from 2010 to 2016 and a market engineer at Infineon Technologies (China) Co., Ltd. (英飛凌科技(中國)有限公司), a global leading semiconductor company, from 2006 to 2009. Mr. Zhang was selected as one of the top 40U40 investors in CY Zone in 2018. He was also selected as one of the top 50 China Mid-Generation Investors in 36Kr, one of the F40 China Young Investors in Investment World and one of the of 70 Youth Leader GP30 of the generation born in the 70s in FOF Weekly in 2019. Mr. Zhang obtained his bachelor's degree in automation and master's degree in vehicle engineering in Tsinghua University in 2002 and 2005, respectively.

Mr. Yao Xiaoguang (姚曉光), aged 42, was appointed as a non-executive Director of our Company in August 2020. He currently serves as vice president of Tencent Holdings Limited, president of Timi Studios Group under Interactive Entertainment Group, concurrently in charge of social platform business of Platform and Content Business Group. Since Mr. Yao jointed Tencent in 2006, he has continued to launch games successfully in various genres including role-playing games (RPG), shooting, battle arena, strategy and car-racing. Before joining Tencent, Mr. Yao served as deputy managing director of Shengjin Game Company (盛錦遊戲公司) of Shanda Network. Mr. Yao holds a bachelor's degree, and also completed management courses with China Europe International Business School in 2013.

Mr. Chen Yu (陳宇), aged 42, was appointed as a non-executive Director of our Company in August 2020. He currently serves as vice president of Tencent and president of Lightspeed & Quantum Studios Group. Since Mr. Chen joined Tencent in 2003, he has taken lead in R&D, operation and introduction of a number of games, focusing on development of hardware and software on virtual reality and next-generation computer platform and cloud service technology. Mr. Chen obtained a bachelor's degree in property planning and real estate from Sichuan Normal University in July 2001, and an EMBA degree from China Europe International Business School in July 2011.

Independent Non-executive Directors

Ms. Yu Bin (余濱), aged 51, was appointed as independent non-executive Director of our Company in May 2018. Ms. Yu has extensive industry experience in financial management. In addition to her position in our Group, Ms. Yu has been an independent director of Kuke Music Holding Limited since January 2021, an independent non-executive director of ZERO2IPO Holdings Inc. (清科創業控股有限公司) since December 2020, an independent director of Baozun Inc. since May 2015, and an independent director of GDS Holdings Ltd. since November 2016. Before that, Ms. Yu has served as an independent non-executive director of Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司) from July 2014 to January 2021, as the chief financial officer of Lingochamp Inc. from October 2017 to January 2020, as the chief financial officer of InnoLight Technology Corp. from January 2015 to April 2017, as the chief financial officer of Star China Media Limited (星空華文傳媒集團) from May 2013 to January 2015, as a senior vice president of Youku Tudou Inc. from August 2012 to April 2013, as the chief financial officer of Tudou Holdings Limited from January 2012 to April 2013, and as the vice president of finance of Tudou Holdings Limited from July 2010 to December 2011.

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

Mr. Li Xintian (李新天), aged 56, was appointed as independent non-executive Director in May 2018. In addition to his position in our Group, Mr. Li has been an independent director of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) from November 2013 to February 2015, an independent director of Hubei Century Network Technology Co., Ltd. (湖北盛天網絡技術股份有限公司) from May 2012 to November 2015 and an independent director of Guangdong Hec Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) from May 2008 to May 2014. Mr. Li has been teaching in the Office of Teaching and Research of Civil Commercial Law of the Department of Law of the University of Wuhan (武漢大學法學院民商法教研室) since September 1992, where he has held the position of lecturer and became a associate professor on June 2000. Mr. Li has been a professor in the University of Wuhan since November 2005. He was admitted by the Ministry of Justice of Hubei (湖北省司法廳) as a lawyer in July 1993. Mr. Li obtained his bachelor's degree in law in July 1989 from the Wuhan University in the PRC and his doctorate degree in law from the Wuhan University in the PRC in June 2002.

Mr. Zhang Weining (張維寧), aged 43, was appointed as independent non-executive Director in May 2018. In addition to his position in our Group, Mr. Zhang has been serving as an associate professor of Cheung Kong Graduate School of Business (長江商學院) since May 2015. Before that, Mr. Zhang served as assistant professor in Business School of National University of Singapore from August 2010 to December 2011. Mr. Zhang has been serving as an independent non-executive director of Grandshores Technology Group Limited (雄岸科技集團有限公司) since June 2018. He has been a director of Transino Technology Corp., LTD. (北京時代正邦科技股份有限公司) since September 2016, and holds approximately 0.15% of the share capital therein. Mr. Zhang has been a director of Guangzhou Topcomm Media Advertising Co., Ltd. (廣州尚思傳媒廣告股份有限公司) from June 2013 to May 2018, and holds approximately 4.32% of the share capital therein. Mr. Zhang has been a director of Sichuan Tianyi Science & Technology Co., Ltd. (四川天一科技股份有限公司) from August 2012 to November 2015. Mr. Zhang obtained his bachelor's degree in accounting in Southwestern University of Finance and Economics in the PRC in July 2001 and his doctorate degree in management in the University of Texas in the United States in August 2010.

Mr. Mao Rui (毛睿), aged 46, was appointed as independent non-executive Director of our Company in August 2020. In addition to his position in our Group, Mr. Mao has joined Shenzhen University as an associate professor of College of Computer Science and Software Engineering in 2010, and currently serves as a Changjiang Scholars Special Position professor and associate dean of College of Computer Science and Software Engineering, primarily responsible for research and foreign affairs. His research primarily focuses on big data management and high-performance computing.

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

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

Senior Management

Mr. Lei Junwen (雷俊文), aged 38, was appointed as Chief Financial Officer of our Company since May 2018 and is primarily responsible for the overall financial management, financing matters and strategic development of our Group. Mr. Lei also serves as the chief financial officer of Shenzhen iDreamSky and a director of Horgos iDreamSky. Mr. Lei has extensive industry experience in the financial management, accountancy and consultancy industries, including experience in KPMG from August 2006 to May 2010, where he was eventually promoted to audit assistant manager, as senior manager of Vermillion Partners Limited (銀硃合夥人有限公司) from June 2010 to November 2013 and as chief financial officer of XDK Communication Equipment (Huizhou) Co., Ltd. (訊達康通訊設備(惠州)有限公司) from December 2010 to November 2013. Mr. Lei obtained his bachelor's degree in accounting from Zhejiang University in the PRC in June 2005.

Mr. Ho, Mario Yau Kwan (何猷君), aged 27, was appointed as Chief Marketing Officer of our Company since May 2018 and is primarily responsible for marketing and promotions, Esports related business and augmented reality games. Mr. Ho also serves as the chief marketing officer of Shenzhen iDreamSky. Mr. Ho has been the first Chairperson of the Macau E-sports Federation since April 2018. He has been a member of the Guangdong Province Federation of Returned Overseas Chinese Youth Committee (廣東省僑聯青年委員會) and a member of the Youth Committee of the Associação Comercial de Macau (澳門中華總商會青年委員會) since 2018. Mr. Ho obtained his bachelor's degree in management science in June 2016 from the Massachusetts Institute of Technology.

For biographical details of Mr. Chen Xiangyu, Mr. Guan Song and Mr. Jeffrey Lyndon Ko, who form part of our senior management team, please refer to the section above on pages 56 to 57.

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD

Board Responsibilities

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

To oversee particular aspects of the Company's affairs, and to ensure the Board delegates certain matters requiring particular time, attention and expertise to its committees, the Board has determined that these matters are better dealt with by the Board committees as they require independent oversight and specialist input. As such, the Board has established four Board committees to take charge of these matters and to assist the Board in making appropriate decision. These four Board committees include the Audit Committee, the Remuneration and Appraisal Committee (the "**Remuneration and Appraisal Committee**"), the Nomination Committee (the "**Nomination Committee**") and the Strategy Committee (the "**Strategy Committee**") (together, the "**Board Committees**"). Each of the committees has its written terms of reference which clearly specify its powers and authorities. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

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

Board Composition

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

The biographies of the Directors are set out under the section headed "Directors and Senior Management" on pages 56 to 61 of this annual report. To the knowledge of the Board, save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Directors and chief executive.

For the Reporting Period, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

For the Reporting Period, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

Board Diversity Policy

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board Diversity Policy (the "**Board Diversity Policy**") to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, gender, cultural and educational background, professional and industry experience, skills and knowledge, insight, and the potential contributions that such candidates could bring to the Board. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires being effective. The structure, size and composition (including, for example, gender, age, and length of service) of the Board will be reviewed from time to time by the Nomination Committee to ensure that the Board has a balance of skills, expertise and diversity of perspective for providing effective leadership to the Company and meeting the needs of the Group.

The Company recognizes and embraces the benefits of having a diverse Board, and considers diversity at Board level as an essential element in maintaining a competitive advantage. The Company also recognizes the importance of being able to attract, retain and motivate employees from the widest pool of available talent, and is committed to diversity at all levels, including gender, age, cultural and educational background, and professional experience. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee considers the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Factors to be taken into account include: gender, age, ethnicity, cultural and educational background, professional skills, experience and knowledge. Due regard is to be given to the business model and specific needs of the Company.

In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination Committee considers the balance of talents, skills, experience, independence and knowledge on the Board and the diversity representation of the Board.

Measurable objectives of the Board Diversity Policy and the progress on achieving the objectives

Measurable objectives

Objective 1: Considering candidates for appointment as Directors from a wide pool of talents taking into account the culture, educational background, expertise and professional experience, skills, experience, knowledge, perspectives and other contributions that would complement the current needs of the Board.

Objective 2: Reviewing annually whether the composition and structure of the Board are suitable for the overall development strategy of the Group based on its business operation and development needs, and proposing adjustment plans.

Progress on achieving the objectives

Objective 1: Selection and appointment of the Directors of the Company should be in compliance with the requirements of the Board Diversity Policy and in line with the overall development strategy of the Group. The Nomination Committee will identify the candidates for directorships and recommend to the Board according to the Board Diversity Policy of the Company for any replacement of Directors or an addition to the Board. The Board would also appoint suitable candidates for directorship based on the overall development of the Group and the Board Diversity Policy of the Company.

Objective 2: The current composition and structure of the Board of the Company are appropriate for the development need of the existing business operation of the Group and are conducive for providing the Company with extensive valuable advice and supervision on decision-making. The Company will continually assess the diversity of the Board and objectively consider the composition and effectiveness of the Board from the 2022 financial year.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity of the public companies or organizations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

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

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties (code I(g) of Appendix 14 to the Listing Rules, which is reclassified as paragraph B(g) of part 1 of the CG Code with effect from January 1, 2022).

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code (reclassified as code provision C.2.1 of the CG Code with effect from January 1, 2022), the roles of chairman and chief executive officer should be separate, and should 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 under the current circumstances. 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 at the current stage, 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 are encouraged to participate actively in all Board and committee meetings of which they are members of the Board Committees, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the senior management team to provide adequate, accurate, clear, complete and reliable information to members of the Board in a timely 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 senior management team. Nevertheless, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

Continuous Professional Development

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

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

For the year ended December 31, 2021, all Directors had participated in the continuous professional development relating to relevant directors' duties and responsibilities and the latest regulatory information and business of the Group in the following ways:

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

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

Appointment and Re-election of Directors

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

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

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

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

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

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

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

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

Board Meetings

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

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

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

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

Nine Board meetings and one AGM of the Company were held during the Reporting Period. Eight Directors, being Mr. Chen Xiangyu, Mr. Guan Song, Mr. Jeffrey Lyndon Ko, Mr. Zhang Han, Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining, and Mr. Mao Rui attended the AGM held during the Reporting Period. The attendance of each Director at the Board meetings is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)
Executive Directors:	
Mr. Chen Xiangyu	9/9
Mr. Guan Song	9/9
Mr. Jeffrey Lyndon Ko	9/9
Non-executive Directors:	
Mr. Ma Xiaoyi	8/9
Mr. Zhang Han	8/9
Mr. Yao Xiaoguang	8/9
Mr. Chen Yu	8/9
Independent Non-executive Directors:	
Ms. Yu Bin	9/9
Mr. Li Xintian	9/9
Mr. Zhang Weining	9/9
Mr. Mao Rui	9/9

Model Code for Securities Transactions

For the year ended December 31, 2021, 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 of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the Reporting Period.

During the Reporting Period, the Company has also adopted its own code of conduct regarding 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.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

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

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
4. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
6. to review and monitor the Company's compliance with the Company's whistle blowing policy.

BOARD COMMITTEES

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

Audit Committee

The Audit Committee comprises four members, three independent non-executive Directors, namely Mr. Zhang Weining (Chairman), Ms. Yu Bin, Mr. Li Xintian, and one non-executive Director, Mr. Zhang Han.

The principal duties of the Audit Committee include the following:

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

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Code provision C3.3(e)(i) of the CG Code (reclassified as code provision D.3.3(e)(i) of the CG Code with effect from January 1, 2022) provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Company's Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the code provision C3.3(e)(i) of the CG Code (reclassified as code provision D.3.3(e)(i) of the CG Code with effect from January 1, 2022) during the Reporting Period.

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

Directors	Attended/Eligible to attend
Mr. Zhang Weining *(Chairman)*	4/4
Ms. Yu Bin	4/4
Mr. Li Xintian	4/4
Mr. Zhang Han	4/4

During the Reporting Period, four meetings of the Audit Committee were held to discuss and consider the following matters:

1. reviewed with the management and Auditor of the Company the accounting policies and practices adopted by the Group, to discuss the unaudited interim financial statements for the six months ended June 30,2021;
2. planning meeting covering the engagement with external Auditor, and the nature and scope of the audit and reporting obligations before the annual audit commences;
3. reviewed annual results of the Company and its subsidiaries for the year ended December 31, 2020 as well as the audit report prepared by the Company's Auditor relating to accounting issues and major findings in course of audit;
4. reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes; and
5. discussed the re-appointment arrangement of the Company's Auditor.

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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

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

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

1. reviewed size, structure and composition of the Board and made recommendations to the Board on re-election of Directors;
2. reviewed the Board diversity policy;
3. reviewed the independence of the independent non-executive Directors; and
4. discussed and reviewed the nomination policy.

Policy on Director Nomination

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

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

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

Nomination Committee's Role and its Selection Process and Criteria

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

1. to assess such candidate's qualifications, skills, knowledge, ability and experience and also potential time commitment and attention to perform director's duties under common law, legislation and applicable rules, regulations and guidance (including without limitation the Listing Rules and the "Guidance for Boards and Directors" published by the Stock Exchange (the "**Guidance for Boards**")), with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board (including potential contributions in terms of qualifications, skills, experience, independence and gender diversity);
2. in addition and without prejudice to Paragraph 1 above, to assess such candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);
3. with reference to the Company's Board diversity policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition (including without limitation the balancing of the age, gender, cultural and educational background, professional and industry experience, skills and knowledge, and diversity of perspectives appropriate to the requirements of the Company's business) of the Board and the Company's strategy, with due regard for the benefits of the appropriate diversity of the Board and also such candidate's potential contributions thereto;
4. to consider board succession planning considerations and the long-term needs of the Company;
5. in case of a candidate for an independent non-executive director of the Company, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive directors set out in code provision A.5.5 of Appendix 14 to the Listing Rules (reclassified as code provision B.3.4 of the CG Code with effect from January 1, 2022) and in the Guidance for Boards; and
6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

Board's Decision

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

Remuneration and Appraisal Committee

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

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

1. Making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. Being responsible for determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management (including benefits in kind, pension and compensation payments, including any compensation payable for loss or termination of their office or appointment);
3. Making recommendations to the Board on the remuneration of non-executive Directors;
4. Considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; and
5. Reviewing and approving the senior management's remuneration proposals with reference to the Board's corporate goals and objectives.

The written terms of reference of the Remuneration and Appraisal Committee are available on the websites of the Stock Exchange and the Company.

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

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

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

1. reviewed the remuneration of Directors and senior management;
2. made recommendations to the Board on the remuneration packages of individual Directors and senior management; and
3. reviewed the Company's Board diversity policy (including measurable objectives).

Strategy Committee

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

The principal duties of the Strategy Committee include the following:

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

The Strategy Committee is responsible to the Board and shall submit its proposals to the Board for examination and decision. The written terms of reference of the Strategy Committee are available on the websites of the Stock Exchange and the Company.

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

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

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

1. reviewed the implementation of the development strategies and plans of the Company for 2020; and
2. discussed the development strategies and plans of the Company for 2021.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended December 31, 2021 which give a true and fair view of the affairs of the Company and of the Company's results and cashflows.

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

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the audited consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 137 to 142 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, with the assistance of the Audit Committee, continuously monitors the effectiveness of the Company's risk management and internal control systems to protect the assets of the Company and the interests of shareholders.

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

The First Line of Defense

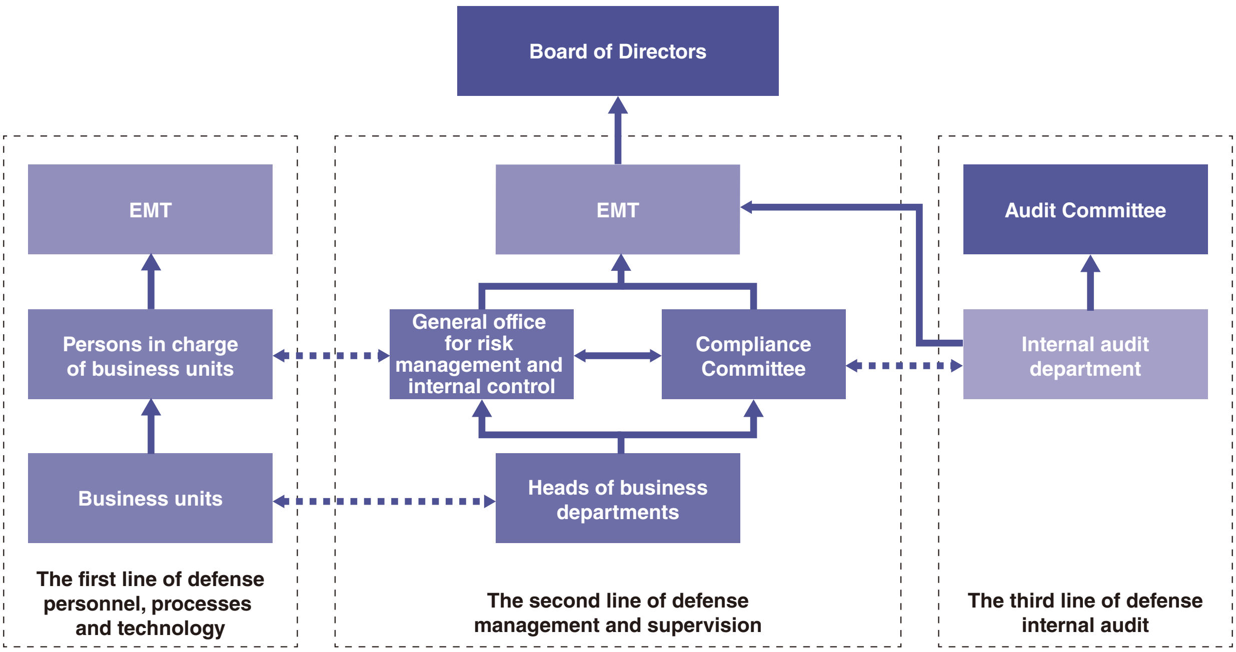
It is composed of various business/functional departments at the grassroots level of the Company, reporting to the executive management team ("**EMT**") through the person in charge. The first line of defense is responsible for the design and implementation of the relevant controls to mitigate all identified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

The Second Line of Defense

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

The Third Line of Defense

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



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

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

The Board and the management attach great importance to the Company's risk management and internal control systems. In 2021, the Company added a Compliance Committee to the second line of defense, and enhanced its risk management and internal control systems through the introduction of various new and revised policies and procedures, strengthening controls over business units, including but not limited to game development and operation, offline store management, etc.

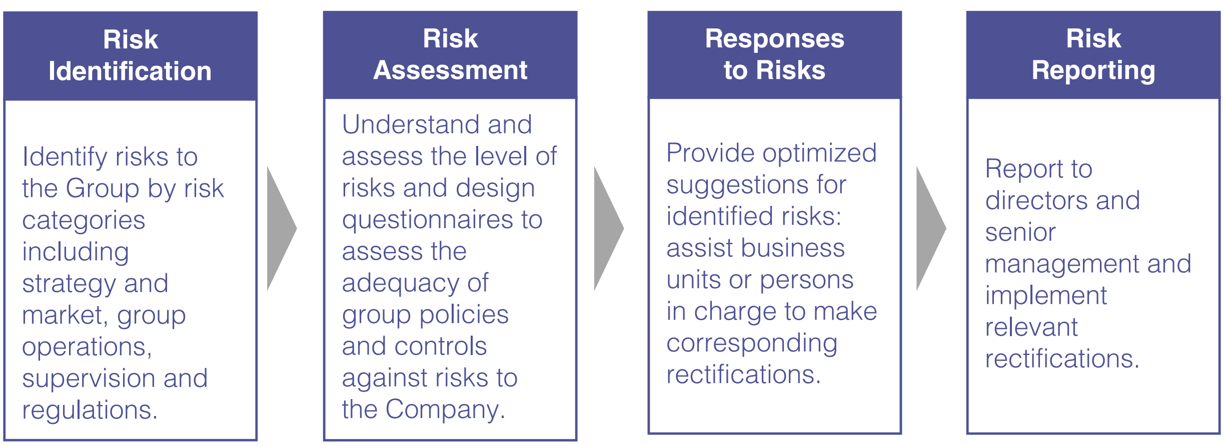
During the year ended December 31, 2021, the Board has reviewed the health and effectiveness of the Company's risk management and internal control systems at least once annually. Key controls covered by the review included financial, operational and compliance control and risk management functions. The Board considers that the Company's risk management and internal control systems are effective and adequate.

Risk Management

As the external environment is changing and the Company's business is developing, in 2021, the management paid attention to the risks for policy regulatory compliance, introduction or R&D of new product, and store expansion and operation system upgrade through the following risk management processes.

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

The key risks currently faced by the Company and the risk counter measures implemented are outlined below.



Risk for Policy Regulatory Compliance

Laws and regulations related to the Internet and game industry are changing continuously. For example, the regulations on preventing juveniles from addiction, requirements for real-name game registration, age-appropriate tips for adolescents, and personal information protection, etc. The businesses of the Company shall be subject to strict compliance with external regulatory requirements. However, the uncertainty of the development of supervision policies may also pose an impact on business operations.

The Company has set up professional departments and engaged external professional consultants to keep close communication with business management and external regulatory authorities at all times. At the same time, it has set up a Compliance Committee composed of professionals of legal affairs, policy development and other functions to appeal for the attention of all departments in accordance with the development of policies and adjust the business processes in an appropriate manner to meet the requirements of laws and regulations. We have taken practical measures to invest in various resources to ensure compliance with the regulatory requirements of the policy.

Risk for Introduction or R&D of New Products

New products introduction or R&D capability has an impact on the brand and operation level of the Company. In order to maintain business development, the Company needs to introduce or research and develop game products, and have reasonable control over the resources invested in the introduction or R&D processes. The risk for introduction or R&D of new products may affect the Company's resources management and future business development.

The Company has a professional team to sort out and regulate the introduction or R&D processes of new products, and conducted adjustments in accordance with business changes when appropriate, and the senior management of the Company participated in the major decision-making processes in the introduction or R&D of new products, so as to ensure that the new products introduced or researched and developed respond to market demands and satisfy customer expectations under a reasonable resource utilization basis.

Risk for Store Expansion and Operation System Upgrade

Based on its core strategies, the Company continued to invest in the experiential retail business, and planned to open up more directly-managed stores in the near future. Store expansion management and the associated requirements for operation management system are indispensable for the Company to implement standard shop operation in the future. Compliant and normalized store expansion and operation system management affect the long-term development of the Company's experiential retail business.

The Company has set up a professional team with retail store experience to be responsible for a series of matters including store expansion and operation system upgrade. The team gradually optimized the organizational structure, human resources, and management system, etc., and was subject to the unified supervision and management of the Company's senior management to ensure that the development of the business is in line with the Company's strategic direction.

The Board believes that the accounting and financial reporting functions of the Company have been performed by suitably qualified and experienced employees who have been properly and adequately trained and developed. Based on the work report of the Audit Committee, the Board also believes that the internal audit function of the Company has been sufficient and that sufficient resources and budget have been obtained. The relevant staff have appropriate qualifications and experience, and have obtained sufficient training and development.

Internal Control of Inside Information

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

DIVIDEND POLICY

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Company for the year ended December 31, 2021 is approximately as follows:

Type of Services	Amount (RMB)
Audit services	5,600,000
Non-audit services*	296,000
Total	5,896,000

* Non-audit services are related to the 2021 ESG report and Hong Kong Profits Tax Compliance services.

JOINT COMPANY SECRETARIES

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

For the year ended December 31, 2021, in order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Leung Suet Lun ("**Ms. Leung**"), a senior manager of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary to assist Ms. Tang to discharge her duties as a company secretary of the Company. The primary corporate contact person at the Company is Ms. Tang, the joint company secretary of the Company.

For the year ended December 31, 2021, Ms. Tang and Ms. Leung have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

From March 30, 2022, Ms. Leung has resigned as the joint company secretary of the Company due to other work arrangements. Following the resignation of Ms. Leung as the joint company secretary, Ms. Ng Ka Man has been appointed as another joint company secretary of the Company with effect from March 30, 2022 to assist Ms. Tang to discharge her duties as a company secretary of the Company. The primary corporate contact person at the Company is Ms. Tang, the joint company secretary of the Company. For details, please refer to the announcement of the Company dated March 30, 2022.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The AGM provides an opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Company encourages the Shareholders to attend AGMs and other general meetings, which allow the Shareholders to communicate with the Board, and exercise their right to vote.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a mutual relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.idreamsky.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretaries of the Company whose contact details are as follows:

16/F, Unit 3, Block A, Kexing Science Park, Ke Yuan North Road, Nanshan, Shenzhen, PRC
(email address: ir@idreamsky.com)

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

During the Reporting Period, the Company convened the AGM on June 25, 2021.

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted Articles of Association on November 20, 2018, which has been effective from the Listing Date. During the Reporting Period, no changes has been made to the Articles of Association.

ABOUT THE REPORT

Report Introduction

iDreamSky Technology Holdings Limited ("**iDreamSky**", the "**Company**" or "**We**", Stock code: 1119) is pleased to present to the public its 2021 Environmental, Social and Governance Report (the "**ESG Report**"). This is our fourth ESG Report, which focuses on disclosing the key concepts, significant progress and performance results of the Company on environmental, social and governance ("**ESG**") issues.

Report Scope

Unless otherwise stated, this report covers iDreamSky and its subsidiaries. The reporting period is from January 1, 2021 to December 31, 2021 (the "**Reporting Period**"), with some retrospective historical information where appropriate.

Information Sources

The information and data cited in this report come from our official documents, statistical reports, internal statistics and relevant public materials.

Preparation Basis

Following the "**comply or explain**" provisions of the Environmental, Social and Governance Reporting Guide (the "**Guide**") in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company makes disclosure or interpretation based on its actual circumstances.

Reporting Principles

This report has been prepared in accordance with the reporting principles set out in the "Environmental, Social and Governance Reporting Guide" of the Stock Exchange:

Materiality principle

This report engages with stakeholders to identify current significant environmental, social and governance issues, taking into account the nature of the Company's business, how it operates and where it operates.

Quantitative principle

This report provides key performance indicators in quantitative terms, where feasible, with explanations to enable readers to assess and verify the performance of the Company's environmental, social and governance policies and practices.

Balanced principle

This report discloses the Company's environmental, social and governance performance in a comprehensive manner based on objective facts and avoids statements or presentation formats that might inappropriately influence readers' decisions or judgments.

Consistency principle

This report uses consistent disclosure statistics for the current and subsequent years to allow readers to compare the Company's performance from year to year.

Reporting Commitment

The Company undertakes that this report does not contain false records, misleading statements or material omissions, etc. The Board of Directors of the Company (the "**Board**") is responsible for the truthfulness, accuracy and completeness of the contents of this report.

Report Access

An electronic version of this report is available on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.idreamsky.com).

ABOUT iDreamSky

iDreamSky is the leading digital entertainment platform in China. We always keep in mind our mission and original intention to bring joy to users through technology and creativity. Based on our judgment on the development trend of the industry, as well as the core capabilities and resources accumulated by iDreamSky in the game industry over the years, we have sorted out and established the strategic positioning of the Company, namely "technology-enabled IP operators". We have expanded from a single online virtual scenario to an offline QQfamily experience retail store, building a more diversified scenario through the combination of online virtual and offline physical stores.

In terms of game business, in 2021, we continued to optimize the structure of existing products, increase self-development, and added new joint-development with major shareholders. Some of the self-developed products were officially launched and started to stand out, and the joint development project was smoothly advanced. In terms of other IP operation business, in 2021, we achieved remarkable results in terms of external IP resources acquisition, joint development, supply chain resources integration, offline store implementation, organizational talent construction, etc. The Company continued to deepen the strategic cooperation with important shareholders in terms of resources and ecology, and also continued to explore third-party resources, which facilitated the gradual enrichment and diversification of our IP operation ecosystem.

Honorary Recognitions

In 2021, iDreamSky won several awards and honorary titles for its outstanding performance in high-quality game development, social responsibility, innovative influence, and intellectual property rights.

Honorary Titles	Awarded by
Top 10 of "Shenzhen Top 100 Cultural Enterprises" in 2020–2021	Shenzhen Bureau of Culture, Radio, Television, Tourism and Sports
List of "Outstanding Enterprises in Social Responsibility Performance" and "Outstanding Enterprises in Brand Building"	CNG
Golden Diamond List·2021 Most Influential Company	Guangdong Entertainment & Game Industry Association (GEGIA)
Golden Diamond List·2021 Social Responsibility Award	Guangdong Entertainment & Game Industry Association (GEGIA)
Golden Diamond List·2021 Most Innovative Company	Guangdong Entertainment & Game Industry Association (GEGIA)
Golden Diamond List·2021 Best Domestic Game — Super Animal Royale	Guangdong Entertainment & Game Industry Association (GEGIA)
Golden Mouth Award of the 8th Game Industry — Outstanding Game Company of the Year 2021	Game Daily
Golden Mouth Award of the 8th Game Industry — Game Product Super Animal Royale of the Year 2021	Game Daily
Golden Mouth Award of the 8th Game Industry — 2021 Annual E-sports Industry Contribution Award	Game Daily
2021 Golden Plume Award — Player's Favorite Mobile Online Game Super Animal Royale	Shunwang Technology, Hanwei Xinheng (漢威信恒)
Blackstone Award "Leisure of the Year 2021"	Mobile Hardcore Alliance (MHA)
2021 Shenzhen Copyright Innovation Development Base	Shenzhen Intellectual Property Administration

ESG Governance

We are fully aware of the importance of good ESG to the long-term development of our business, especially at a time when the gaming and entertainment environment is becoming more challenging, ESG capabilities are key to seizing opportunities, resisting risks and enhancing business resilience. We will follow the ESG governance requirements of the Stock Exchange and draw on the experience of local companies with outstanding ESG performance to continuously improve our ESG governance framework and enhance our governance standards.

During the year, in order to improve the ESG governance structure and increase the Board's attention and oversight of ESG issues, we formed the ESG Working Group ("**ESG Working Group**"), which is led by the Chairman and consists of key functional heads and has been delegated by the Board to guide and oversee the Company's ESG issues, including:

(1) Ensure that ESG factors are fully taken into account in the development of the Company's strategy and business operations;

(2) Implement effective management of ESG risks and establish mechanisms to regularly review related risks and the effectiveness of response actions; and

(3) Guide each functional department to carry out ESG work, such as participating in materiality assessment, collecting data on key ESG indicators, and compiling ESG reports, etc.

The ESG Working Group reports regularly to the Board on ESG-related risks and opportunities that are relevant to the Company's development, as well as the strategies and actions taken accordingly. In terms of day-to-day management of ESG-related areas, we have established a series of management systems to effectively guide the Company to fully integrate ESG into business operations, management and decision making in order to better fulfill our ESG responsibilities.

iDreamSky ESG Governance Structure

the Board	• Be responsible for the overall ESG governance of the Company • Assess ESG risks associated with the Company's business • Oversee the management and review the Company's ESG-related performance • Approve ESG disclosures
ESG Working Group	• Develop ESG work plans • Report ESG work to the Board annually • Set annual sub-goals in conjunction with the Company's ESG goals • Collect ESG data • Organize and compile the ESG report

Stakeholder Engagement

We attach great importance to the management of stakeholder relations and continue to improve the communication mechanism with stakeholders such as government, investors, shareholders, customers, suppliers and employees to understand their expectations and suggestions in a timely manner, and as a basis to continuously improve our sustainable development strategies and plans, so as to build a solid partnership with all stakeholders and jointly promote the coordinated and sustainable development of economy, environment and society. Through diversified communication channels such as meetings and activities, WeChat public account and official website, the Group has sorted out and responded to the expectations and requirements of various stakeholders as follows:

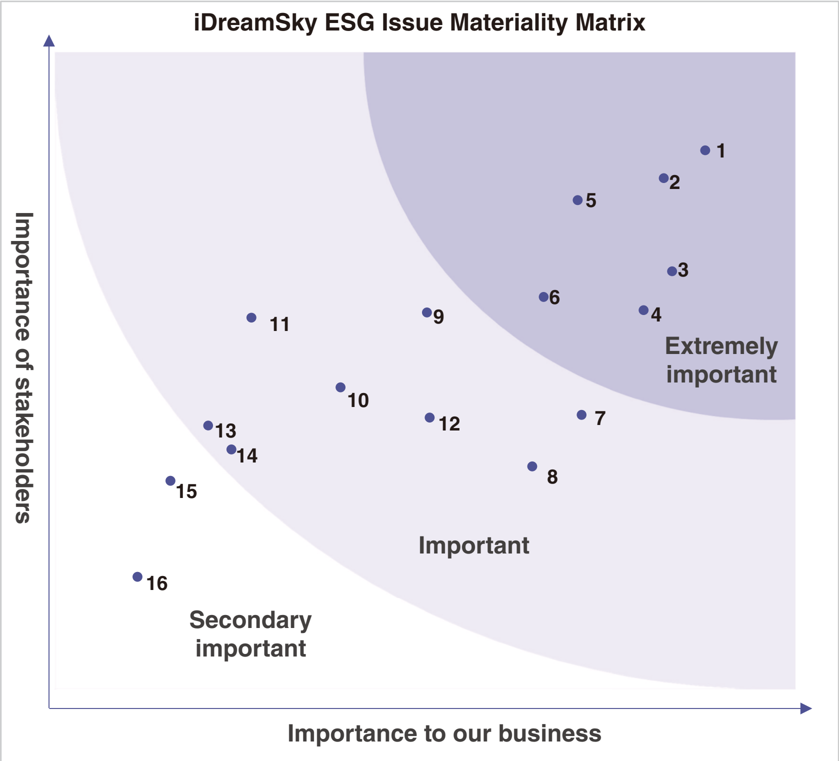
Stakeholders	Expectations and Demands	Communication and Response
Customers	Product quality Information security Service quality Protection of rights and interests	Customer service hotline Compliance marketing Game innovation Network security permission setting Customer satisfaction survey
Shareholders and Investors	Business performance Investment return Risk control Corporate transparency Strategic planning	Improving profitability Holding general meetings Daily information disclosure Optimizing internal control and risk management
Government and Regulators	Pay taxes in accordance with the law Comply with the law Respond to the national call	Operate in compliance with the law Pay taxes on time Actively implement relevant policies Proactively assume social responsibilities
Employees	Compensation and benefits Career development platform Healthy and safe working environment	Perfect the career promotion mechanism Competitive salary and welfare guarantee Good working environment Training and development
Suppliers and Business Partners	Good faith cooperation Business ethics and reputation Product and service quality	Build supply chain management Deliver contract on time Carry out project cooperation
Society and the Public	Support social welfares Protect the natural environment	Participate in charity Share development achievements

ESG Issue Materiality Assessment

We conduct research and face-to-face interviews to understand the issues of concern to stakeholders, assess the materiality of each ESG issue to the Company's business development and the degree of concern to stakeholders, rank the importance of ESG issues and compile an materiality matrix, determine the focus of disclosure in this report, and actively respond to the expectations and demands of various stakeholders.

Steps for ESG issue materiality assessment of this year

ESG Issue Identification	Based on the Company's existing business, the applicable topics were selected from environment, operations, employment, product responsibility, governance and public welfare, taking into account the ESG reporting guideline requirements and industry ESG management priorities.
Stakeholder Research	Invited internal and external stakeholders to rate the materiality of the selected topics and collected their opinions and expectations on the Company; and The materiality ranking and matrix of ESG issues was determined by a scoring method.
Disclosure and Response	Determined the disclosure focus of this report based on the research results; analysed and discussed the key stakeholder concerns; and determined the ESG governance plan for the next year.



2021 iDreamSky ESG Materiality Ranking Table			
1	Game quality	9	After sales service
2	Game innovation	10	Training and development
3	Prevent minors from getting addicted to games	11	Staff welfare
4	Product quality of trendy products	12	Public charity
5	User privacy	13	Good working environment
6	Retention of talents	14	Greenhouse gas emissions
7	Data security	15	Supply chain management
8	User satisfaction	16	Energy saving measures

LAW-ABIDING, COMPLIANCE AND INTEGRITY MANAGEMENT

Anti-corruption

The Company is committed to adhering to the highest standards of ethics and integrity, strictly complying with the Company Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition, the Law of the People's Republic of China on Supervision, and other laws and regulations, and formulating internal management documents such as the Internal Audit Charter. The Company adopts a zero-tolerance attitude toward any employee who declares business reimbursements that are falsified, false accounts or commercial bribery and other undesirable employee behaviors such as favoritism, and forms institutional initiatives recorded in the Employee Handbook. When the purchasing department signs an agreement with a supplier, the Company requires the supplier to sign the "Anti-Commercial Bribery Behavior Statement" at the same time, stipulating that both parties comply with the relevant professional conduct regulations in the process of interaction to ensure that there is no corruption, extortion or commercial bribery in the cooperation; at the same time, the "iDreamSky High Voltage Line" system is established within the Company. For employees with such behavior, the Company has the right to refer them to judicial institutions for treatment.

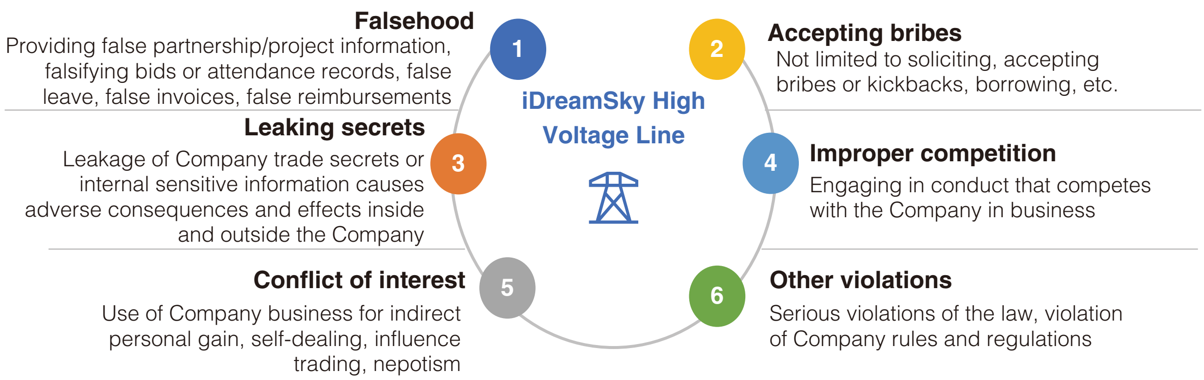
To ensure that the management is clear about the requirements of the anti-corruption related system, we have added legal compliance and anti-corruption training courses to the training courses for the Board of Directors and promoted management executives, in order to raise the awareness of integrity and self-discipline among management employees. During the year, we conducted one legal compliance and anti-corruption training for the Board of Directors and the management, and added compliance training and anti-corruption training courses for three management personnel that had been promoted. In addition, the Internal Audit Department regularly assisted the management in evaluating the Company's business activities and processes to promote compliance with laws, regulations, policies and contractual requirements, and to reduce the number of insiders who engage in improper actions that damage the Company's interests in pursuit of their own interests. In 2021, the Company did not have any incidents related to corruption reporting. The Company has continuously improved its anti-corruption reporting system and management methods, and has provided a whistleblowing email address and a reporting hotline for corrupt acts. The Company has the right to terminate the employment contract and pursue legal responsibility for employees who have violated laws and regulations.

Reporting channels

The Company establishes a perfect anti-corruption reporting procedure and discloses corruption reporting channels to all employees, such as the president's email address, WeChat and telephone number, and encourages suppliers to report any person or incident that touches on commercial bribery during business cooperation through the reporting email address: jubao@idreamsky.com and reporting hotline (86)755-86530539 to the Internal Control Department. At the same time, the Company also fully protects the privacy and legitimate interests of whistleblowers by continuously enhancing the confidentiality of corruption reports and the refinement of the hearing process.

Incorruptible culture construction

The Company regularly carries out anti-corruption actions, including dimission audit, anti-corruption inspections, regular training and study on anti-corruption and other kinds of anti-corruption activities, which makes the incorruptible culture deeply rooted in our Company. At present, the Company has formulated the internal system of "iDreamSky High Voltage Line", which lists "falsehood", "accepting bribes", "leaking secrets", "improper competition", "conflict of interest" and other prohibited behaviors by the Company. In our daily training, we actively advocate our employees to learn and comply with relevant regulations to avoid violating the "High Voltage Line", and if there is any violation of the above "High Voltage Line", we will immediately terminate the labor contract with the employee and transfer him/her to judicial authorities.



iDreamSky "High Voltage Line" System

In addition, iDreamSky joined the Sub-Sunshine Cloud Platform (陽光雲平台) built by Tencent, which provides a platform for information sharing and interaction for Tencent's key partners. By publishing on the cloud platform the list of employees and companies involved in anti-fraud practices, it helps identify and avoid risks in a timely manner, and creates a sunshine ecological cooperation mechanism of "sharing and win-win" among Tencent's key partners.

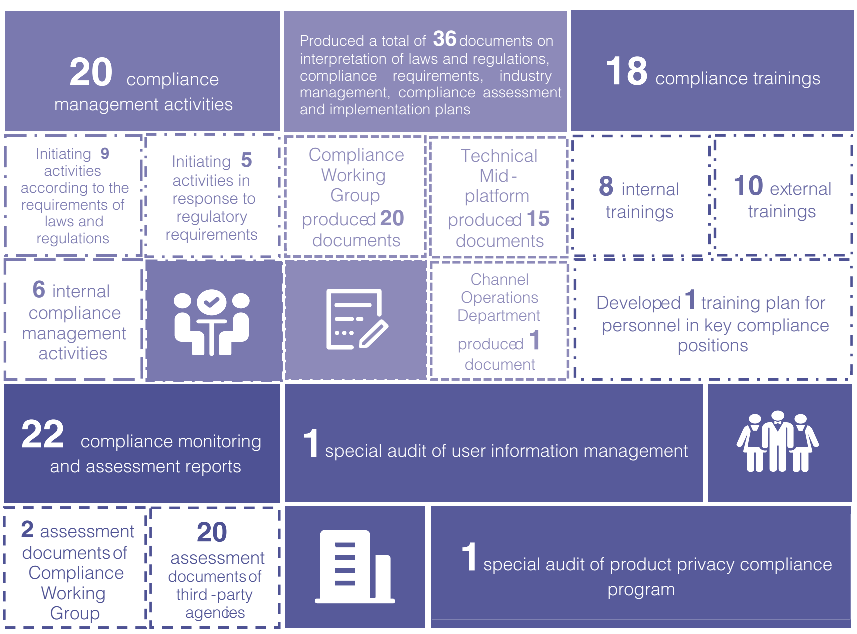
Integrity in cooperation with suppliers

In order to deepen the integrity in cooperation with our suppliers, we establish friendly relations with them on the basis of legal, fair and equitable transactions. When signing contracts, we require suppliers to sign the Statement on Anti-Bribery Behavior to prevent corruption and other illegal acts. For suppliers who violate the regulations, once they are found, we will immediately terminate the cooperation relationship with them and reserve the right to pursue relevant responsibilities according to relevant laws and regulations. We have also standardized the contract templates for suppliers of different categories, and all of them are required to sign confidentiality agreements. We require our internal staff to strictly abide by business ethics, adhere to the attitude of honesty and integrity, objectivity and fairness, consciously recuse themselves from the interests of the suppliers, and keep the commercial secrets of both partners, etc. All procurement-related personnel are required to sign the Professional Conduct Commitment and consciously accept supervision from all parties and Company inspection, and will be severely punished if there are any violations after Company investigation.

Compliant Operation

The Company upholds the concept of "self-discipline over law" and regards network security, data security and personal information protection as our lifeline. In order to effectively promote the implementation of network and data security (network data) compliance, the Company has established the Compliance Committee Rules and Regulations. The Compliance Committee accurately translates the latest laws and regulations and industry regulatory requirements into feasible procedures and processes to unify the guidance and supervision of the Company's daily compliance management. In 2021, the Compliance Committee Working Group under the Compliance Committee is composed of personnel appointed by the Policy Development Department, Legal Department, Internal Audit Department, Technical Mid-platform and General Office, which includes the Compliance Planning Group and Compliance Implementation Group, responsible for implementing the Company's compliance review plan and identifying the Company's compliance risks.

In this year, the Compliance Working Group formulated seven compliance management-related systems and regulatory documents, including Management Measures for the Protection of Personal Information of the Company, Regulations for the Management of Network Security and Data Security, and Specification for the Introduction and Development of SDK based on the Law of the People's Republic of China on Network Security, Law of the People's Republic of China on Data Security, Law of the People's Republic of China on the Protection of Personal Information and other relevant laws and regulations, and initiated 20 compliance management activities including personal information, data security, network security, minors, etc. referring to the Compliance Committee System Charter. The management activities were mainly carried out by interview and inquiry, information collection, sampling, access to system records, analysis and evaluation, etc.



Examples of Compliance Highlights for 2021

In order to deepen the culture of compliance, promote compliance knowledge and raise legal awareness, we held 18 compliance training events during 2021, including 10 external trainings and 8 internal trainings. We selected topics related to brand behavior compliance, contract compliance, and APP compliance, and popularized typical high-risk compliance issues in the Company or industry to our employees through quizzes with prizes. In addition to compliance training, we carried out targeted legal training for employees to enhance their legal awareness in their daily work and help protect the legitimate rights and interests of enterprises focusing on topics such as trademark, copyright infringement and unfair competition, personal information security, labor contract, game infringement, information network communication rights, domain name infringement, etc., in accordance with the laws, regulations and standards such as the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China, Corporate Intellectual Property Management Code, and Anti-Unfair Competition Law of the People's Republic of China.

At present, as checked by the market-related regulatory authorities, we have complete business qualification procedures, well protected intellectual property rights, controllable business model and advertising risks, compliant network security data, clear labor relations, and low risk of violation. For the current year, we have not found any serious violations for the time being.

Network Environment Governance and Protection

Building quality game products and establishing a safe network environment and good protection mechanism are important cornerstones on which iDreamSky relies for its development. As a responsible digital game platform, we attach importance to preventing network risks to guarantee stable operation.

Network security protection

The Compliance Committee of the Company took the lead in formulating a high-quality system for internal network security assurance such as the Management Regulations on Network Security and Data Security based on relevant laws and regulations such as the Law of the People's Republic of China on Network Security, Law of the People's Republic of China on Data Security, General Data Protection Regulations, Basic Requirements for Classified Protection of Network Security, Technical Requirements for Security Design of Classified Protection of Network Security, and Management Measures for Internet Information Services, and standardized the operation and management of the Company's information system by establishing a person in charge of network security and data security and implementing the network security and data security management responsibilities of each department.

The Company insists on the overall protection strategy of "partition, classification and domain" for network construction and operation, implements the hierarchical protection system of network security, and installs multi-level anti-virus software. The technical mid-platform department is responsible for detecting and recording network operation status, classifying data, and taking security protection measures such as backup or encryption. For data usage, users shall pay attention to its sensitivity and legality, removal or destroy it in a timely manner according to relevant regulations, and summarize and review the annual operation and maintenance.

In 2021, the Company leveraged the following four cyber protection tools through procurement and in-house research and development:

01. Renewed the Dayu System (大禹系統) of Tencent Cloud

Protection against Distributed Denial of Services (DDoS) attacks

02. Purchased the console security protection of Tencent Cloud

Scanning and protection against console vulnerabilities

03. Purchased the WAF firewall of Tencent Cloud

Protection for Web sites

04. Operation and maintenance of independent R&D of DDoS protection platform

Fast scheduling and reuse of Dayu System (大禹系統) resources to reduce consumption

2021 iDreamSky Network Protection Tools

In terms of operation and maintenance management, our Company has formulated the Operation Guidelines for Operation and Maintenance Security, which not only clarifies the operation and maintenance operation specifications for each phase, but also makes detailed requirements for employee accounts, internal network working environment, databases and security protection products. We guarantee the security of our operation quality by requiring a fixed application process and approval for relevant business operations, setting intranet access restrictions, mandatory opening of audit function for database, timely follow-up repair and record for security loopholes scanned by the system, and mandatory access to security products for network-wide operation.

In 2021, the Company submitted seven applications for hierarchical protection of information security, two new ones compared to 2020, as shown below.

01 Portal

02 Game Official Website

03 Pangu (盤古) Account System

04 Casual Puzzle Games

05 Role-playing Games

06 Competitive Games

07 User Management Tools

Hierarchical Protection Application Projects

Data security protection

Protecting the core network security of information systems and data security is the basic principle of all work carried out by our Company. To achieve standardized and institutionalized network management and safeguard the rights and interests of data owners, we continuously improve the construction of data security management system, adhere to the data security specification requirements and actively ensure the implementation of our data security protection measures. Our Company strictly follows the main laws and regulations such as the Law of the People's Republic of China on the Protection of Personal Information, Law of the People's Republic of China on Data Security, and Law of the People's Republic of China on Network Security, and has established a series of security management systems such as the Management Regulations on Network Security and Data Security, the Guidelines on Internal Audit of Data Security, and the Data Security Emergency Plan.

Maintain Corporate Data Security

We regard corporate data security and user privacy protection as our lifeline. As a qualified Internet game service provider, we collect and store users' personal information strictly in accordance with relevant laws and regulations as well as the Company's internal network security and data security management principles. At the same time, the Company selected a chief information officer to coordinate the effective participation of various departments in the implementation of data security objectives, and the technical center department shall be responsible for assisting in the daily network operation and network information security management.

01 Legal Compliance
02 Full Coverage
03 Effective Implementation
04 Coordination

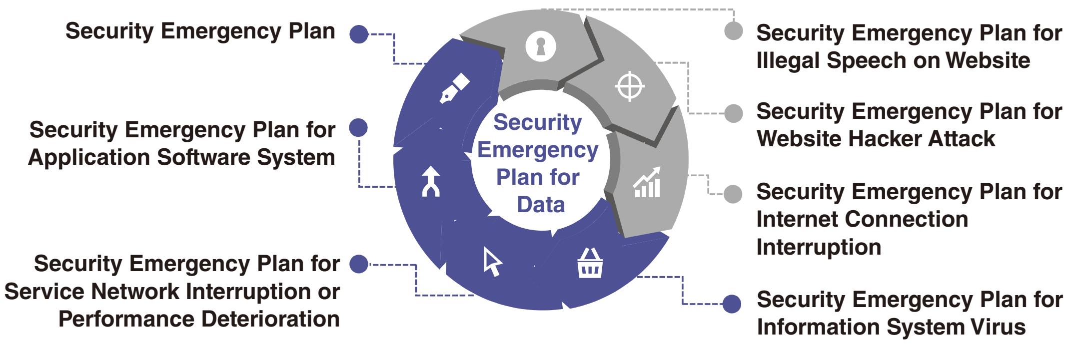
Network Security and Data Security Management Principles

We are currently in the process of preparing the Guidelines for Data Classification, and we plan to classify data in the future based on data value, content sensitivity and impact range, and adopt different levels of treatment according to their importance. In addition, we have signed a series of cloud service purchase agreements with Huawei Cloud, Oracle, etc. to back up our data using external large cloud servers to ensure timely recovery of damaged files after malicious attacks.

In 2021, we invited external third-party platforms to conduct simulated attacks against us to identify vulnerabilities in our data security systems and improve data security management procedures to ensure that incidents are secure and controllable when they occur. As of December 31, 2021, we have not found any security defects in network products or services. In the future, we will continue to strengthen our awareness of data security, monitor and troubleshoot abnormal behaviors, and timely optimize defense measures and response mechanisms.

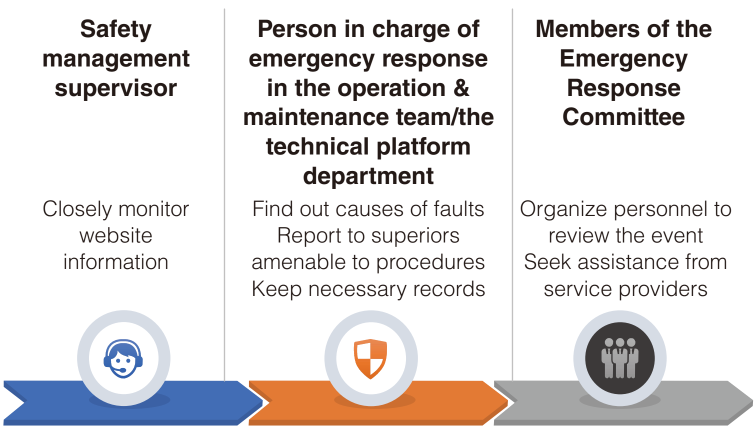
Emergency Response

In terms of emergency prevention and response, the Company has established emergency plans and a hierarchical emergency response mechanism for network security and data security incidents, so as to carry out reasonable and dispassionate protection for network and data. We formulated corresponding contingency plans for seven security emergencies by the nature, mechanism and occurrence process of network data security emergencies.

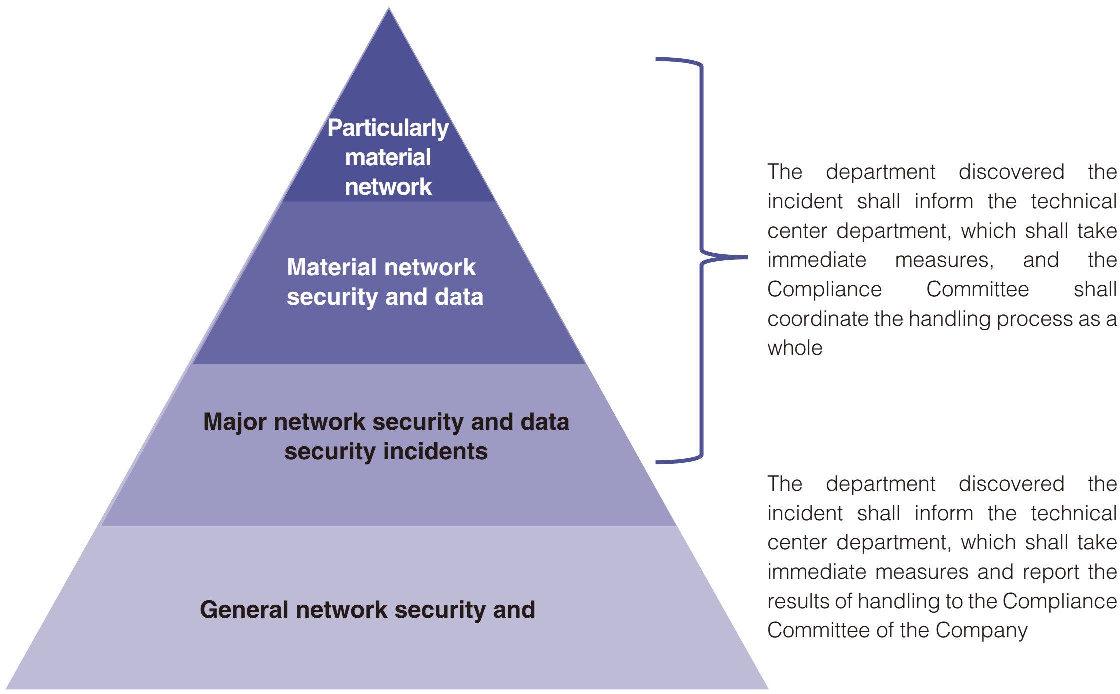


Security Emergency Plan for Data

At the same time, to maintain the security of the network data of the Company, ensure emergencies are dealt with as quickly as possible, and reduce data loss of the Company, we have specially-assigned person for assistance in execution of related emergency management procedures, including safety management supervisor responsible for closely monitoring, and in the event of adverse incidents, person in charge of emergency response in the technical platform department and the operation & maintenance team shall respond as soon as possible, find out causes of the incident, conduct data recovery and reconstruction, properly keep relevant logs and records, and report to the members of the Emergency Response Committee; In case of failure to recover, the members of the Emergency Response Committee shall immediately requests support from relevant service providers; After the incident, the members of the Emergency Response Committee shall organize relevant personnel to review the incident and prepare a review report.



Person in Charge of Network Data Security



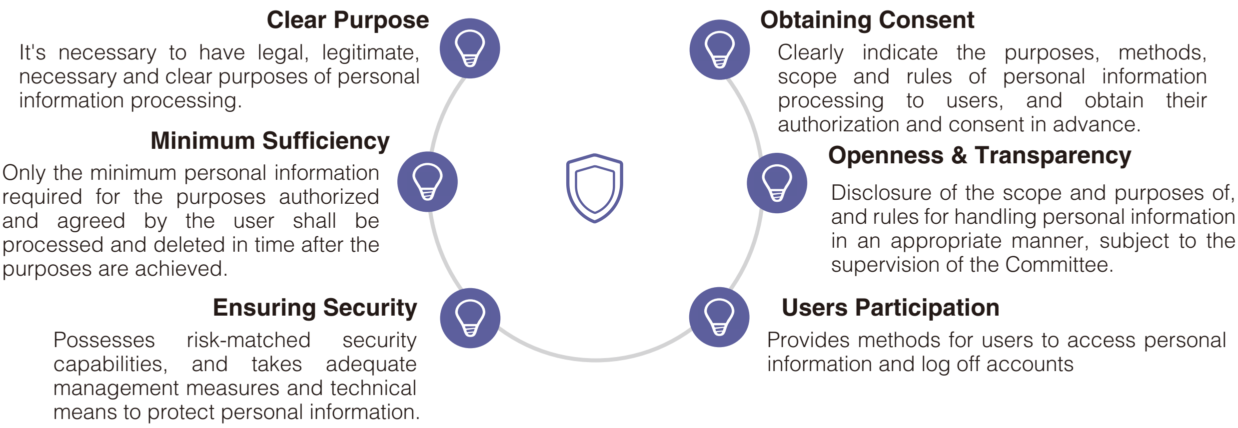
Four-level Network Security and Data Security Incidents and Countermeasures

We have formulated the Emergency Failure Response System and committed to maintain a "7 days*24 hours" response for emergencies in operation and maintenance. In addition, the Company conducts remote disaster recovery drills every six months to ensure that one-click remote disaster recovery switchover can be completed in a short time when a system stops working unexpectedly, and services continue to provide platform support after the switchover.

Personal Information and Privacy Protection

It is a basic principle of the Company to respect and protect users' personal information and privacy, and we will do our utmost to protect users' data and privacy. iDreamSky formulated internal guidelines including the Measures for the Management of Personal Information Protection, the Operational Guidelines for Assessment of Impact on Personal Information Protection, the Compliance Audit Guidelines for Personal Information Protection, the Personal Information Protection Policy and the SDK Introduction and Development Standards with reference to the Personal Information Protection Law of the People's Republic of China newly issued and formally implemented in November 2021, the Data Security Law of the People's Republic of China, the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Measures for Network Protection of Children's Personal Information and the Civil Code of the People's Republic of China and other relevant laws and regulations and national standards, so as to ensure the normalization and flow-orientation of personal information processing, guide employees to improve their awareness of personal information protection, perform the obligation of user information protection and guarantee users' right to know.

The Company shall follow the following 6 basic principles when collecting, storing, utilizing, processing, transmitting, providing, disclosing and deleting personal information of users.



Principles of User Privacy Protection

We will regularly conduct an assessment of the impact of personal information protection on the Company's handling of users' personal information that may have potential risks, and formulate emergency plans based on the assessment results. We will build an assessment team composing of legal and technical personnel, formulate an assessment plan, conduct comprehensive analysis from multiple aspects such as data image, risk source identification, personal interest impact and security risk with reference to the Guidelines for Assessment of Impact on Personal Information Security, and form an assessment report and corresponding emergency response plans.

In addition to formulating corresponding security management system, the Company also simultaneously strengthens the compliance management of Software Development Kit (SDK), and constantly improves technical means to ensure the security and privacy of data. We put forward a lot of security requirements for the quality of SDK, the access of third-party dependent libraries, and the collection, transmission and storage of information. Besides, we standardize the R&D operation behaviors of employees based on the above requirements, and set corresponding criteria for acceptance or testing. In addition, we encrypt and desensitize users' privacy information, and adopt special display rules for users' mobile phone numbers or ID card information to prevent user information disclosure.

The Company takes the initiative to disclose its personal information protection policy to users when providing them with network products and services, and explains the purposes, methods, scope and usage of personal information collection to users in order to realize the legality, legitimacy and necessity of users' personal information processing and protect the rights and interests of users' personal information. We will fully respect the user's right to choice. If the personal information is beyond the scope or purposes claimed at the time of collection, we will inform the user and seek his/her authorization and consent again before use.

Protection of Minors

We implement measures to protect minors in accordance with Chinese regulations and strengthen the promotion of healthy games and anti-addiction information through various channels to protect the physical and mental health of online game users and teenagers. iDreamSky formulated the Administrative System for the Protection of Minors, the Convention on Self-regulation of Online Game Industry, the Children User Agreement and other institutional provisions in strict compliance with the Network Security Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Provisions on Network Protection of Children's Personal Information, and the Notice on Preventing Minors from Indulging in Online Games and other laws and regulations, so as to create a good network environment conducive to the growth of teenagers. The Company mainly adopts technical means in real name authentication, age-appropriate tips, and anti-addiction to comprehensively protect the healthy growth of minors' network, so as to put the protection of teenagers into practice.

Real Name

Strictly implement the real-name registration and login requirements for online game user accounts, fully access to the "Real-name Online Game Authentication System" issued by the National News Publication Bureau, and provide game services to users only after they complete the real-name authentication.

Age-appropriate Tips

iDreamSky participated in the drafting of the group standard of "Age-appropriate Tips" initiated by China Audio-video and Digital Publishing Association. Online game login interface, official website and pipeline download interface display age-appropriate tips icon and age-appropriate tips introduction, assisting minor users to choose games.

Game Duration

Strictly limit the time for providing online game services to minors, who only have access to the online games operated by iDreamSky for one hour from 20:00 to 21:00 on every Friday, Saturday and Sunday and statutory holidays.

Game Spending

Users under 8 cannot recharge in games; for users between 8 and 16, a single recharge shall not exceed RMB50, and the cumulative monthly recharge shall not exceed RMB200; and for users between 16 and 18, a single recharge shall not exceed RMB100, and the cumulative monthly recharge shall not exceed RMB400.

Protective Measures for Minors in iDreamSky

In addition, we have set up a special complaint group for minors and formulated a refund mechanism for complaints from minors so as to protect the legitimate consumption rights and interests of teenagers. In addition, the Company strictly controls the content of game products, refuses to accept vulgar games, plays and tests game products, resolutely resists pornography, gambling, drugs and other vulgar culture, and devotes itself to providing healthy, positive and upward quality games for teenagers.

iDreamSky establishes protection barriers for minors, and co-builds and shares a clean and positive Internet ecosystem by drafting, initiating and participating in the establishment of industry standards and group standards. In September 2021, under the guidance of the competent national authorities, the Game Publishing Working Committee of China Audio-video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會), its members and relevant game enterprises like iDreamSky and 213 enterprises jointly launched the Anti-addiction and Self-discipline Convention in the Online Game Industry (《網絡遊戲行業防沉迷自律公約》) to jointly create a clean and positive online game industry ecosystem; In December 2021, Guangdong Game Industry Association, together with game enterprises including iDreamSky, Tencent, Netease, 37 Interactive Entertainment and Duoyi Network, officially launched the group standard compilation of the Network Protection and Management System for Minors in Internet Enterprises to fully mobilize the forces of all parties in the Internet field; In December 2021, iDreamSky, together with Tencent, GMGE, Miniwan and other Shenzhen game enterprises, participated in the formulation of the group standard of the Guidelines for Subject Responsibility Construction of Website Platform Information Content initiated by Shenzhen Internet Culture Market Association.

Suppliers Management

The Company attaches importance to establishing a good and stable cooperative relationship with suppliers to promote the mutual development of both parties. We established a whole-process supplier management system, strictly controlled the quality of suppliers in each link, while taking into account the impact of suppliers on the environment and society, and implemented the values of honesty, integrity and fairness in the management according to law, so as to continuously promote the sustainable development of the supply chain.

Whole-process Supplier Management

The Company has formulated the Procurement Management System, which specifies the requirements for supplier management processes and procurement processes to standardize the management of suppliers and procurement business. The Company comprehensively considers factors such as quality, delivery, cost, environmental protection and service in accordance with the principles of joint participation and collective decision-making to ensure the rationality of supplier selection. In addition, we will conduct on-site investigation for some category suppliers, such as art outsourcing, and output on-site investigation reports.

The Company promulgated the Measures for Management of Admission of Suppliers in 2021 to strengthen the whole-process management of suppliers. Under the premise of hierarchical management of suppliers, the work flow and relevant responsible persons are defined for their admission, information maintenance, status change, performance evaluation, punishment and elimination. In the process of admission of suppliers, we divide suppliers into three categories by business scenarios, namely, qualified suppliers, temporary suppliers and reserve suppliers, and specify the overall requirements for admission of suppliers according to the business characteristics of different departments; in the process of supplier information maintenance, we urge the responsible department of procurement management to strengthen the collection of information about its suppliers, and strengthen the update and maintenance of information about warehousing supplier; in the process of supplier performance evaluation, the Procurement Department shall periodically initiate the procurement on a yearly basis according to the procurement frequency and procurement scale of each procurement category; and we would consider terminating the cooperation with suppliers that fail to perform as agreed in the contract. In addition, the Company has formulated corresponding acceptance standards for suppliers of different categories, and regularly reviewed and evaluated the suppliers to ensure that the suppliers deliver quality work results. Besides, we will formulate targeted follow-up strategies for the existing problems of suppliers summarized in the review.

We tend to choose environment-friendly suppliers. By signing service agreements with Tencent Cloud, we can store data in a more low-carbon way and promote the digital transformation of the industry, so as to achieve the effect of energy conservation and emission reduction and help achieve the global sustainable development goals.

Geographical Distribution of Suppliers

As of December 31, 2021, 181 suppliers were warehoused, including 5 overseas suppliers and 176 Chinese suppliers. The geographical distribution of iDreamSky's suppliers is shown in the table below:

	China						Overseas countries or regions
Distribution of Suppliers	South China	Central China	North China	East China	Southwest China	Northeast China	
Number of Suppliers	78	9	19	50	18	2	5

Geographical Distribution of iDreamSky's Suppliers

CREATE A HARMONIOUS CONTENT ECOLOGY

Game R&D and Innovation

As a digital entertainment platform with a sense of social responsibility, iDreamSky is committed to becoming the world-leading technology-enabled IP operator and bring users more happiness. Ledou Gaming indirectly owned by the Group focuses on creating and delivering excellent game products, hoping to give users a good game experience by providing high-quality game content. At the same time, we pay attention to preventing legal risks and network security risks that may arise in operation, and strengthen the protection of intellectual property rights, minors and users' privacy.

Full Life Cycle Management of Game R&D and Operation

To standardize the research and development and operation business of the Company, we have formulated corresponding internal guidelines for the Game Publishing and Operation Process of flagship games, customized games, jointly operated games and self-developed games in accordance with various laws, regulations and policies related to online games including the Telecommunication Regulations of the People's Republic of China, the Administrative Measures for Internet Information Services and the Regulations on Administration of Network Publishing Service, dividing the full life cycle of game publishing into different stages, namely, product signing, product approval, product operation, product development and testing, product launch and operation, and product delisting, and setting review nodes.

At present, based on the integration of research and operation, the Company is actively expanding external pipelines to form the advantages of track occupation. We have two paths: self-development and distribution agency for iDreamSky. Taking the match-three puzzle track as an example: on the research side, through self-development of high-quality masterpieces, the Group will create benchmark products that represent the factory brand; through the TSMC mode (external IP cooperation and customization), the Group is able to achieve the reuse and expansion of match-three puzzle product categories. On the distribution side, the Group will continue to build a benchmark for the Gardenscapes series, and adhere to the advantages of overseas agents; In addition, we have an "investment + customization" external pipeline that can help expand opportunities and stabilize R & D capacity. In the future, we will improve the construction of the underlying ecosystem of agency distribution in China and launch new products as soon as possible; At the same time, both self-developed and external investment pipelines will benchmark global game products, continue to innovate and develop, and increase the reserve of new products.

Evaluating and User Research

We have developed a complete set of product quality evaluation standard, established a game quality estimation system, and compiled a "White Paper on Market and User Research of iDreamSky" based on the whole process of publishing and operation to strengthen the quality assurance of products and services and bring quality product experience for users to a maximum extent.

Step 1 Overall Conclusion

Step 2 Product Quality Assessment

1. Sensory Performance
2. Interactive Experience
3. Guidance
4. Playing Methods and Contents
5. Socializing
6. Commercialization

Step 3 External Environment Assessment

1. Market Status & Potential
2. Competitive Product Performance & Layout

Game Quality Estimation System

The Company shall organize technical personnel, evaluators and external experts to jointly conduct product evaluation according to the established processes before launch of the product. The evaluation aims to evaluate products in aspects including playing methods and operation experience, role professional evaluation, artistic performance and sound effects, etc. In 2021, there was no recall of the Company's game products due to quality and safety reasons.

Create a New Offline Mode of "Experience + Retail"

As a leading digital entertainment platform in the industry, iDreamSky developed "WePlay", the first experimental entertainment retail block in China, together with Tencent, Sony and Nintendo, creating a new mode of "console experience + trendy product retail", providing users with console game experience, console and trendy product retail services, as well as offline social venues for "Generation Z" and other young users, and creating a "Second Living Room" for users. In 2021, the first QQfamily flagship store opened in Shenzhen. As of December 31, 2021, iDreamSky has opened up 18 regular chain offline stores in Guangzhou and Shenzhen.

IP Acquisition and Pipeline Expansion

In 2021, iDreamSky was licensed by Tencent Technology for the QQ Series Images; and two months later, it was licensed by Tencent Technology for the PUPU ALIENS Series Images. In January 2022, Shenzhen iDreamSky Entertainment Co., Ltd., a subsidiary of iDreamSky, won the distribution right of existing IP products of "Panda Imagination Family" series in mainland China, bringing more diversified and three-dimensional IP experiences for consumers.

Tencent "QQ Series Images" Authorization

In November 2021, iDreamSky and Tencent Technology entered into the licensing agreement for designer toys of "QQ Series Images". In the future, iDreamSky will be allowed to use "QQ Series Images" to plan, produce and sell relevant designer toy products, including online and offline channels confirmed by Tencent, including but not limited to iDreamSky's own channels and cooperative distribution channels with third parties. By leveraging the competitive advantages of resources and products of Tencent Technology and the Company, we can deeply cultivate the trendy products market, enrich the IP reserve, diversify the sales channels, and enhance the market popularity and share of experiential retail business, thus further creating a new business model of trendy products with high-quality IP as the core, and leading the new consumption trend.

"QQ Series Images" Icon

Tencent "PUPU ALIENS Images" Licensing

In January 2022, iDreamSky entered into a contract with Tencent Technology on licensing of "PUPU ALIENS Images". iDreamSky can use the art materials of "PUPU ALIENS images" in the cooperation of image licensing. Tencent Technology shall be responsible for the design, and iDreamSky shall be responsible for the production, promotion and sales of the licensed products that are related to the "PUPU ALIENS images" and cover full categories. The sales channels include offline stores, online e-commerce and live broadcasting in mainland China. This cooperation means that iDreamSky has stronger ability to expand more landing scenarios for IP derivatives and bring more diversified and three-dimensional IP experiences for consumers.

"PUPU ALIENS Images"

Acquire the Exclusive Operation Right of "Panda Imagination Family" in Mainland China

In January 2022, iDreamSky, Dentsu TEC (Shanghai) Culture Communication Co., Ltd., and Shanghai Feichang Kusuo Culture Technology Co., Ltd. reached an agreement on the cooperation of "Panda Imagination Family" series products in mainland China, and entered into the Tripartite Cooperation Contract for Panda Imagination Family. iDreamSky owns the distribution right of the existing IP products of "Panda Imagination Family" series in mainland China, and the exclusive commercial operation rights of all categories of the series IP in mainland China, as well as the right to develop new products based on the "Panda Imagination Family" IP. The right to develop new products includes but is not limited to the self-development of garage kits, plush toys, light peripheral products and other derivatives. At the same time, iDreamSky may also authorize third parties to develop new products.

Images of "Panda Imagination Family"

In 2021, iDreamSky entered into strategic cooperation with Tencent QQ STUDIOS, Tencent Social User Experience (ISUX) and Original Pavilion (原創館). The Parties jointly hosted the QTX "2021 NIGHTS" QQ Toys Expo in the Greater Bay Area. Both the scale and international influence of the exhibition are at the top level of urban consumption carnivals in the Greater Bay Area. With the help of QTX QQ Toys Expo, iDreamSky will integrate more exclusive and high-quality IP resources and design resources, create its own IP, and lay out the middle and upper reaches of the trendy product industry chain to ensure continuous IP inventory.

Actively Fulfilling Environmental and Social Responsibility

Adhering to our corporate mission of "bring users more happiness", iDreamSky's offline stores put their utmost effort toward creating the best user experience for customers. We focus on the entire process from factory selection, store location, renovation, and operation to after-sales service, to leverage our corporate social value. We hold that providing socially and environmentally responsible products and services is of paramount importance to sustainable business development. Throughout production and quality management of trendy products, we have the following initiatives to reflect the social and environmental responsibility of our products.

Plant selection

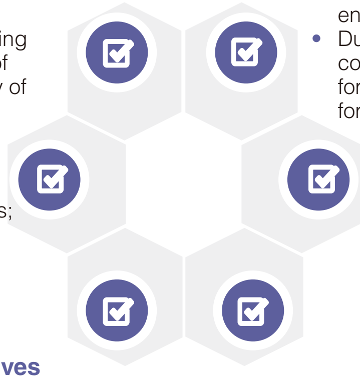
- Meeting the requirements of the local environmental protection bureau for opening and seeing if the standards for environmental impact assessment are obtained;
- On-site factory inspection to see if production line employees wear masks, disinfection, protective clothing and other measures, and whether the work process of takes into account the occupational health and safety of employees

Material selection

- Production of raw materials in line with national mandatory standards, with production batch numbers;
- Post-marketing production will undergo sampling inspection by third-party institutions;
- Environmental safety materials meet national environmental standards

Intellectual property protection initiatives

- Non-disclosure agreements are set forth in production contracts with factories, and anti-counterfeit labels are sticked on each product
- Upstream sales data can be traced



Construction supplier selection

- Strictly evaluating the qualification certificates obtained by suppliers, such as fire safety licenses, construction certificates, environmental qualifications, etc.
- During renovation, we require the construction side to have strict formaldehyde assessment and formaldehyde removal measures

Product quality testing

- Third-party standard certification, such as China Compulsory Certification (CCC) and Quality Standard (QS) certification, is required for plush products and handicraft products, respectively
- Third-party products have production and acceptance standards

Product recall

- In 2021, there were no recalls for iDreamSky's designer products.

Initiatives Related to Product Liability of iDreamSky's Trendy Product Stores

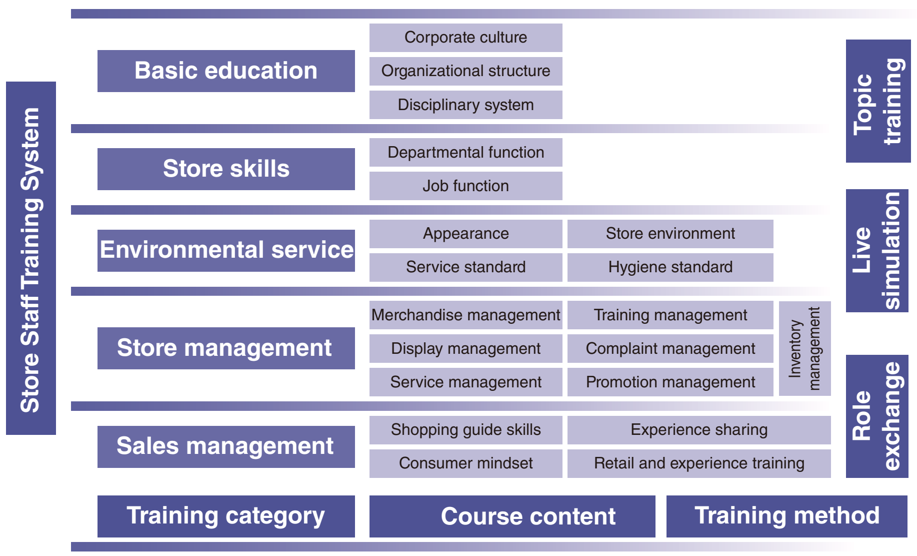
For the retail of trendy products, we print labels reflecting product responsibility on the packing boxes of trendy products, such as the product's executive standard number, anti-counterfeiting label and applicable age, and remind consumers of considering the environmental impact when disposing of the products. We use shopping bags made of paper materials uniformly in all stores to reflect the protection of the environment. For the console experience, we post play instructions at the entrance of host experience stores and the experience area, and guide minors to play reasonably by encouraging parental accompaniment for children under 12 years old and limiting the length of play for minors under 18 years old, to protect the physical and mental health of teenagers.

Packaging labels reflect product responsibility

Offline stores post notices on game length of teenagers

In terms of store operation and management, the Company has formulated internal policies such as the Store Operation and Management Manual, which standardizes the store reception service standards and the processes and systems of operation and management activities, to ensure high quality customer service. The policies stipulate the prevention of dangerous operations and fire emergency management methods, to protect the health and safety of customers and employees. The after-sales quality issues of our products are the responsibility of the manufacturer rather than the stores. The manufacturer has built a complete after-sales service process to accept 7-day returns without any reason. In 2021, there were no cases of customer complaints about product quality from our stores.

To improve the service quality and customer satisfaction of offline experience stores, the Company has provided various types of training courses for the staff of each store according to the internal management guidelines such as the Manual for the Management of Human Resources Administration Center, Store Operation Management Manual and Merchandise Management Manual. The training courses include the "iDreamSky Operator Training Camp", new employee orientation training, pre-opening new employee training, iDreamSky system key user training, and daily in-store training depending on the content.



Training Management System for iDreamSky Offline Stores

In the training of all employees, we conduct regular or irregular assessments and also arrange relevant hands-on training, to ensure that stores provide high quality customer service. In 2021, the total training hours of the Company was 137 hours, and the training coverage rate of all stores was 100%.

Protecting the Rights and Interests of Users

The Company insists on being customer-focused and making improvements to service quality. The Company strictly follows the policies including the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and our internal polices such as the Customer Service Center Manual. While providing goods or services to consumers, the Company is committed to abiding by social ethics, operating in good faith, and protecting the legitimate rights and interests of consumers. At the same time, the Company listens to the opinions of consumers and accepts their supervision.

Customer Complaint Handling

To establish a good relationship of mutual trust with players and users, we strive to respond faster to service issues and build a reputation and good brand image of Ledou game user service. By formulating the Customer Service Center Manual, the Complaint Handling Process and the User Service Process of Ledou Games, the Company has clarified the responsibilities of the customer service center and standardized the handling process of user complaints. The customer service center responds to users' inquiries on product issues in both online and voice forms, and conducts tracking, analysis and feedback of multi-channel complaint cases by complaint type, to form a closed-loop management to ensure service quality. The Company has established a process to handle user complaints as follows:

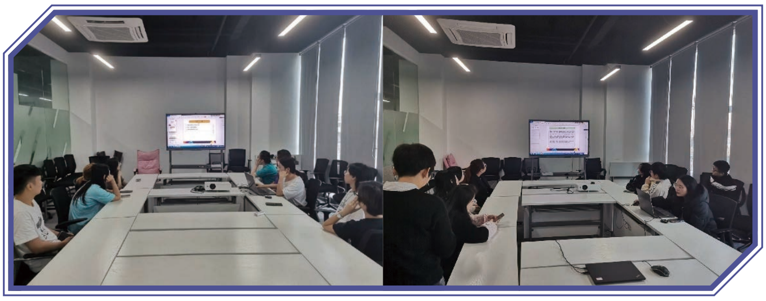
Complaint collation and verification	Resolving complaints	Withdrawal or coordination
The customer service center regularly checks the 3.15 complaint platform every day, collects relevant information after finding or receiving complaints, and checks whether the complaints are true	After verification, the customer service center will contact the corresponding game operation team, consult the Legal Department if necessary and provide feedback to the customer on the processing scheme provided by the game operation team	If the user is satisfied with the solution, the customer service center will request the user to withdraw the complaint; otherwise, the customer service center will feed the complaint back to the China Consumers Association for communication and coordination.

iDreamSky's Customer Complaint Handling Process

The Company has assigned two quality inspection specialists to conduct a monthly random inspection of the regular chat records of the customer service center and a full inspection of all services receiving negative comments. The Company also synchronizes the inspection results, evaluates the quality of customer service, and proposes improvement measures on a case-to-case basis. The 2021 customer complaint analysis report shows that there was a total of 45 complaints on the World Consumer Rights Day, and a total of 920 complaints against merchants throughout the year.

Customer Service Training

To provide premium services to users, we provide induction or regular training for customer service employees, test the quality of customer services, analyze and improve for service problems, and help with improving the brand reputation and image. Customer service training includes standardization of service terms, reinforcement of reassuring words, problem determination, operation of game backstage, etc. Meanwhile, we keep improving training methods in response to anonymous feedback from trainees.

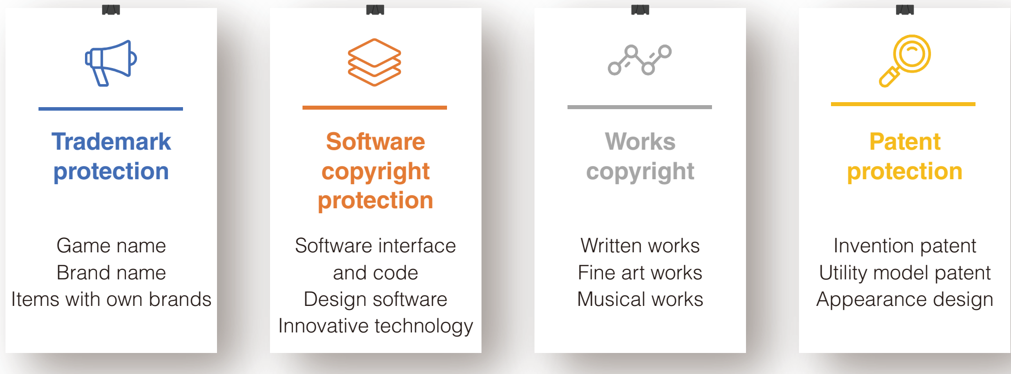


Customer Service Training Scene

Intellectual Property Protection

To standardize the process of intellectual property protection and prevent the infringement of intellectual property rights, the Company strictly follows the Copyright Law of the People's Republic of China, Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Regulations on the Protection of Computer Software, Civil Code of the People's Republic of China and other relevant laws and regulations, and has formulated the Policy on the Management of Intellectual Property Rights of iDreamSky, iDreamSky Contract Management Policy and other internal management polices. We have established an intellectual property management organization, carry out intellectual property protection, and protect the rights and interests of our intellectual property in terms of the scope of intellectual property protection, ownership, management methods, etc. The Company has introduced external companies to discuss the patent mining of our self-research technology. The Legal Department is responsible for applying and protecting intellectual property rights for game trademarks, self-research patents and copyrights, and providing relevant legal advice for the Company's rights protection and litigation.

As of December 31, 2021, the Company had registered 939 trademarks, 555 registered copyright works including art, music and software works, and 36 granted patents.



Types of Intellectual Property Rights

In 2021, iDreamSky was recognized by the Shenzhen Administration for Market Regulation as a "Cultivation Project of Shenzhen Copyright Innovation and Development Base" and was awarded the title of "Shenzhen Copyright Innovation and Development Base in 2021" by the Shenzhen Intellectual Property Administration.

iDreamSky was awarded the title of "Shenzhen Copyright Innovation and Development Base in 2021"

Respecting Intellectual Property Rights of Others

The Company respects the intellectual property rights of others, and has taken the initiative to apply for computer software copyright registration from the Copyright Society of China and obtain the copyright certificate of fine art from the Copyright Bureau of Guangdong Province (廣東省版權局). In the localization of overseas intellectual property rights, the Company has worked out detailed entries of intellectual property rights, including the division of ownership for the new parts of the localization, the division of trademark ownership for the Chinese names of games and the division of data ownership. This aims to ensure the legal and compliant operation of overseas intellectual property rights within the territory of China. As of December 31, 2021, the Company was not aware of any serious infringement of any intellectual property rights owned by any third party.

Crackdown on Infringement

We safeguard the legal protection of intellectual property rights by engaging an external provider to monitor and crack down on infringement. In 2021, iDreamSky entered into cooperation with an external provider for the protection of rights, and purchased infringement monitoring, pre-determination of rights and authorization management services, to protect the legal use of our IP patents, trademarks and copyrights. The Company signed combined operation and promotion contracts with different game operation channels, and jointly agreed that the combined operator would protect the Company's intellectual property rights. For infringements that may cause economic loss to the Company or affect our normal operation, such as jailbreaking, selling props, self-service plug-ins, illegal operation, illegal theft, and fictitious cooperation, we mainly detect them through the following ways:

Business side perception | **User complaint** | **Technical means** | **Vendor detection software**

Infringement Capture Method of iDreamSky

Adhering to the Concept of People First

Employment and Labor Guidelines

We strive to create a healthier and more efficient working environment for our employees, and are committed to providing good career development opportunities to continuously promote the sustainable development of our employees. The Company strictly abides by the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Social Insurance Law of the People's Republic of China and Labor Dispute Mediation and Arbitration Law of the People's Republic of China and other relevant laws and regulations. It has established internal polices such as the Management Measures for Recommending Talents for iDreamSky, Management Rules for Probationary Period of iDreamSky, Management Rules for Attendance, Management Rules for Annual Salary Review, and Management Rules for Training, covering actions and measures for talent recruitment policies, channels, gender equality, equal pay for equal work, avoidance of child labor and forced labor. We are well aware that good human resource management will bring intangible value in the long run, and we place a high value on the investment and cultivation of human capital, which is the basis for maintaining our sustainable competitive advantages.

We value the recruitment and employment of our employees, their career advancement and development, as well as their health, safety and legal rights in their daily work and life. To deliver the targets, we have put in place a string of internal polices on employment, training and development, to guarantee that the Company complies with the norms of legality and consistency in carrying out all human-related work.

Employment with Compensation	**Recruitment**	**Compensation**	**Dismissal**
	• Formulate the Probationary Period Management Regulations and Talent Recommendation Management Measures • Establish an internal recommendation process and external talent scout reward criteria • Introduce the Fishu system to make the recruitment process more transparent	• Management Regulations of Annual Salary Review • The Company's business condition, external environment, personal performance, rank and current salary provide an important reference for salary adjustment	• Update the Employee Handbook • Follow the Labor Law of the People's Republic of China and related regulations to regulate the management of employee separation
Promotion with Development	**Promotion**	**Training**	**Development**
	• Formulate the Standards of Professional Channel Talent Management • The Company provides 21 professional development channels, establishes professional/general ability standards, and clarifies the declaration qualifications and evaluation process. Employees with outstanding performance can apply for green channels.	• Revise the Training Management System • To meet business development needs, new employee induction training, job coaching by mentorship, internal and external training are provided for different groups of people	• Standardized Measures for Debriefing of Management Executives • Clarify the personnel and standardize the debriefing process
Working hours with Vacation	**Working hours**	**Overtime**	**Vacation**
	• Attendance Management System - Rules for Working Time Management • The Company implements a five-day work system, clocking in and out. Employees work no less than 8 hours a day per month on average.	• Attendance Management System (Overtime Management Rules) • The overtime approval system is implemented. For overtime hours, employees can apply for overtime allowance and taking working days off	• Attendance Management System (Leave Management Rules) • Enjoy national legal holidays and paid holidays according to law

Overview of Employment, Development and Attendance System

To standardize the Company's recruitment needs and recruitment management process, the Company has formulated the Standardized Operation Manual (SOP) to build a recruitment system with standardized recruitment criteria and scientific channel management. The Company attends to matching people with jobs and making the best use of people in the recruitment demand execution and hiring stage. Before recruitment, the Human Resource Business Partner (HRBP) will take inventory of internal personnel, while the recruitment team determines the recruitment needs with the OKR cycle in light of business needs. Our entire process of job description (JD) posting, resume screening, interview scheduling and talent on-boarding is conducted on our online recruiting platform.

As of December 31, 2021, the Company had a total of 1,113 employees, including 1,059 full-time employees and 54 temporary employees. In 2021, the Company lost a total of 292 employees, all of whom were full-time employees. The loss of employees is mainly concentrated in art, development and planning positions. Details of the employees are as follows:

Overview of Human Resources	**For the year ended December 31**		
	2021	2020	2019
Total number of employees	**1,113**	809	1022
Number of employees by gender			
Male	**699**	507	633
Female	**414**	302	389
Number of employees by age			
Aged under 30	**725**	428	595
31–50	**386**	375	422
Aged above 50	**2**	6	5
Number of employees by rank			
Management staff	**50**	—	—
General staff	**1,063**	—	—
Number of employees by region			
Chinese mainland	**1,099**	—	—
Hong Kong, Macau, Taiwan and overseas countries or regions	**14**	—	—
Employee turnover ratio			
Percentage of employee turnover by gender			
Male	**28.4%**	33.7%	—
Female	**34.4%**	17.4%	—
Percentage of employee turnover by age			
Aged under 30	**33.6%**	33.1%	—
31–50	**24.3%**	15.2%	—
Aged above 50	**60%**	0.4%	—
Percentage of employee turnover by region			
Chinese mainland	**30.9%**	41.2%	—
Hong Kong, Macau, Taiwan and overseas countries or regions	**17.6%**	—	—

The Company strictly implements the welfare policies. On the basis of ensuring employees' legal rights to obtain labor remuneration and enjoy social insurance and housing fund in accordance with law, we purchase commercial insurance for all employees, provide paid holidays, arrange unified medical checkups, issue interest-free loans, etc. These efforts show our care for employees' health and development in many ways.

Employee Welfare Policy

Following the Principle of Equal Employment

The Company strives to build a diverse workforce by following strict guidelines for implementing the principle of equal employment. In 2021, 26% of management positions were held by female employees who made up 37% of the total workforce. Although we have nearly 40% female employees, we look forward to adding more women to our diverse team work environment. We have implemented a policy of equal pay for equal work between men and women in hiring, promotion, leave and other treatment and benefits. Employees will be not treated differently or excluded or given special treatment in the workplace because of national and ethnic origin, nationality, religion, physical condition, pregnancy, sexual orientation, political affiliation, age or other non-work-related factors. As of December 31, 2021, we did not have any reports of gender discrimination.

Occupational Health and Safety

The Company pays attention to the occupational health of employees and the safety of the working environment. We comply with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Law of the People's Republic of China on Work Safety and other laws and regulations. The provisions on labor protection, labor conditions and protection from occupational disease hazards are agreed upon in the labor contract, to clarify the rights and obligations of the parties and to ensure that the work content meets safety and health requirements.

Case Study: The Company Held First Aid Trainingon CPR In 2021

To protect the occupational health and safety of all employees, we have purchased occupational injury insurance and commercial insurance for each employee and seen that they are covered for medical reimbursement. In addition, we have taken the initiative to equip our workplace with AEDs and invite outside experts to provide first aid training to our employees.

First Aid Training On CPR

Pandemic Prevention and Control

In 2021, confronting the lingering pandemic, we put the health protection of our employees in the first place. The Company insists on implementing measures to manage the pandemic, taking employees' temperature at the entrance and understanding their health status; implementing regular comprehensive disinfection in the office area to ensure a healthy and safe working environment for all employees. Meanwhile, the Company provides all employees with masks, hand sanitizer, disinfectant alcohol and other pandemic prevention supplies, and calls for enhanced awareness of personal protection. During the year, there was an employee who had close contact with a confirmed case. After the incident, the Company organized all employees to have three times of nucleic acid testing at the first time, to ensure the life and health safety of all our employees.

Emergency Rescue Training

In the past three years, we have not had any work-related deaths. In the current year, we did not have any work-related injury cases, and the number of working days lost due to work-related injuries was zero.

Case Study: In 2021, the Company held the first aid training on occupational health and safety

To ensure that our employees have the ability to save themselves and others in case of accidents, in 2021, iDreamSky invited professional trainers to conduct emergency rescue related training, including CPR, Heimlich rescue method, first aid treatment for trauma, emergency measures in case of natural disasters such as fire, earthquake and flood, etc. Through on-site lectures, exercises and post-course assessments, more than 30 of our employees got the AHA certification.

Emergency Rescue Training

Development and Training

We lay much stress on the development of our employees' individual professional skills, business quality and management ability, and are committed to building a group of capable and highly qualified personnel to continuously inject fresh blood for our future development. In 2021, based on our internal Training Management System together with our overall strategic goals and development plans, we developed different training programs for senior management, middle managers, employees in various departments and new recruits, and provided diverse programs such as induction training, internal training and external training, to cultivate a group of talents who uphold the values of iDreamSky and dare to take up the burden of iDreamSky's future.

Company-wide Sharing Session	Recent Graduate	External Training	New Employee Onboarding
Introduction to Python application	Quality development	Character concept design of the LAELAPS design club	User-oriented thinking course
Global operations project management	Off-line closed training	Microblog green durian scene class	Performance evaluation propaganda
Game effects detail	Game evaluation practical project	Tencent University Open Class - Product Pilot Camp	
Interpretation of APP compliance policy	Offline store group building	TOART 2021 spring new class	
Shooting class career and skill design sharing	Mentorship program	Zizai Tuxingtang	

Total hours of unscheduled training **647 hours**	Total hours of recent graduate training **1,170 hours**	Total hours of external training **184 hours**	Training hours of new employee onboarding **290 hours**

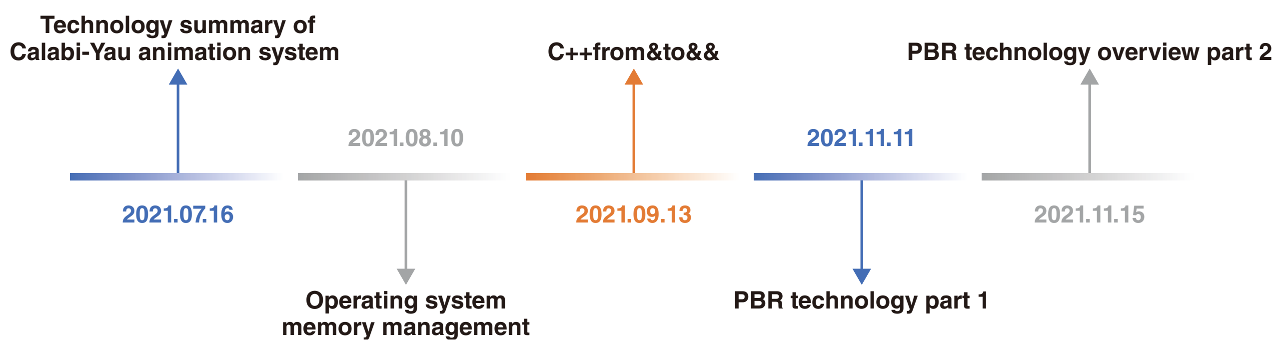
Training Program Schedule of iDreamSky for 2021

As of December 31, 2021, we provided training to 791 employees, with the total number of trainees accounting for 71.07% of total employees of the Group. The total number of female employees trained was 253, accounting for 32% of total employees trained, and that of male employees trained was 538, accounting for 68% of total employees trained.

Development and training	For the year ended December 31		
	2021	2020	2019
Total number of employees trained	**791**	347	—
Percentage of employees trained by gender			
Male	**68.1%**	—	—
Female	**31.9%**	—	—
Percentage of employees trained by rank			
Senior management	**100%**	83%	—
Mid-level and grass-roots staff	**67.4%**	59%	—
General staff	**95.2%**	—	—
Average number of hours of training for employees by gender			
Male	**5**	—	—
Female	**4**	—	—
Average number of hours of training for employees by rank			
Senior management	**96**	219	—
Mid-level and grass-roots staff	**10.8**	1.8	—
General staff	**5.3**	—	—

To improve the strategic vision and leadership of our executives, we provided a total of 480 class hours of talent management training program for five EMTs this year. Through the study of EMBA courses from top business schools in China, we help the management get acquainted with the current situation and future plans of the industry and business, so as to enhance their strategic vision and leadership.

In May and August 2021, we held the first and second sessions of "Getting on the Stage of Successful Management", totaling 1,232 hours of training. By enabling mid-level and grass-roots managers to learn basic management skills, we help grass-roots management cadres establish management role awareness, define clear work goals, and reach out to outstanding team management talents. From March 2021 to November 2021, we held more than one sharing event and iDreamSky Techtalk event every month from time to time. The training content covers different topics such as skills and tools, interpretation of the latest policies and regulations, design thinking sharing and expert management sharing, etc. The events aim to help all employees understand up-to-date professional skills from different perspectives and achieve the goal of "making knowledge flow in the Company". Meanwhile, for the painting teaching and concept design of game art scenes, we invite external professional training institutions to provide corresponding instructor training courses, to help employees quickly improve their professional abilities in about three months and form a high-quality workforce comprising management and skillful talents.



Theme of the Techtalk in the Second Half of 2021

Case Study: iDreamSky Techtalk

As of December 31, 2021, the Company held seven senior career sharing events (iDreamSky Techtalk), and we fully explored the resources available internally to form a team of game technology instructors. We refer to the competency framework of each professional channel and select job-based professional technical skills to provide relevant training to all employees, which includes modules such as internal personal technical analysis, technical tea party and external expert sharing. We are committed to strengthening the technical exchange of talents, fostering an open technical culture, and enhancing the sense of achievement of engineers. Meanwhile, we require all participants to strictly observe classroom discipline. The Human Resources Administration Department will, by evaluating the training effect, judge the training content and improve the work method.

Techtalk Scene of iDreamSky

Promotion of All-round Development of Talents

We attach great importance to attracting and cultivating talents, and are committed to assisting them in pursuing long-term career development in the Company. We believe that the ability of our employees is the driving force for our long-term development, and we endeavor to build scientific and reasonable career advancement paths for our employees to enhance their performance and matching with their ranks. In 2021, we conducted 2 performance evaluations and 2 rank evaluations.

We have made it clear that all employees with better performance in the last two semi-annual performance evaluations will have a shorter time threshold for promotion. To enable outstanding employees to distinguish themselves quickly, the Company has opened a green channel to exempt qualified employees from the effective time of the latest ranking, fueling their upward development. In 2021, three major changes took place in the rules of rank evaluation as follows:

1	2	3
The "declaration system" was changed to a "declaration + nomination system"	**The basic qualifications for promotion was optimized based on the results of 7 grades of performance appraisal**	**The "Feishu Document" was utilized to manage evaluation defense materials**
For those who are qualified to declare but have not done so, the HR staff will nominate candidates for rank promotion based on talent review results	Better matching performance contribution with rank evaluation	Conducting ability proofing on account of the effective output of the previous year

Highlights of the Changes in the 2021 Rank Evaluation Rules of iDreamSky

Furthermore, we conducted two performance evaluations for regular employees who have been working for 3 months or more, adopting the comprehensive evaluation method of "self-evaluation + 360° evaluation + direct supervisor evaluation", with reference to the three dimensions of value contribution, commitment and value outlooks, to give employees a rating ranging from 5 stars to 1 star. By reviewing the effective output of employees and providing them with immediate feedback on their work results, we obtained valuable reference for the evaluation of awards and merits, rank promotion, salary adjustment and bonus allocation for the year, and the employees also identified the personal value they create for the Company. In other words, performance evaluation can contribute to the mutual benefit of us and our employees. In the second half of 2021, we had the following changes in our performance evaluation criteria:

01 **The engagement assessment criteria was updated**
We assess the degree of engagement based on the participation and quality of use of the three major management tools (OKR, review report, and online document), including but not limited to the in-depth thinking of OKR, the depth of review report, and the quality of online document.

02 **The engagement and value assessment levels were optimized**
Shrinking from 7 to 3, namely, "E - Excellent, M - Medium and I - Improving" the assessment levels distinguishes more obviously from each other.

03 **The 360° evaluation was upgraded**
Employees are encouraged to serve as voluntary 360° evaluators: If not invited, employees can choose to become a 360° evaluator for others; the voluntary evaluation will not be notified to the evaluees, and the contents of the voluntary evaluation will not be visible to the evaluees;
Intelligent recommendation of 360° evaluators: The system will recommend 360° evaluators based on the "Fishu index of collaboration closeness" (Fishu chat, schedule, documents, emails, etc.) and "OKR alignment", making 360° evaluator invitation well-grounded.

Changes in Performance Evaluations in the Second Half of 2021

Employee Care

We continue to carry out diversified activities to show employee care, guide employees to integrate themselves into the iDreamSky family, and enrich their spiritual and cultural life by organizing various cultural and sports activities, thereby taking care of both their physical and mental health. On November 19, 2021, while celebrating our 12th anniversary, we held the 2022 annual meeting, linking the online story collection with the offline games. Standing at the intersection of "past" and "future", we emphasized the special meaning of "1119" to the Company, forming a unique value symbol of iDreamSky, building collective empathy with a cultural baptism, and facilitating interaction of all employees with visual experience.

Activities Held on iDreamSky's 12th Anniversary and 2022 Annual Meeting

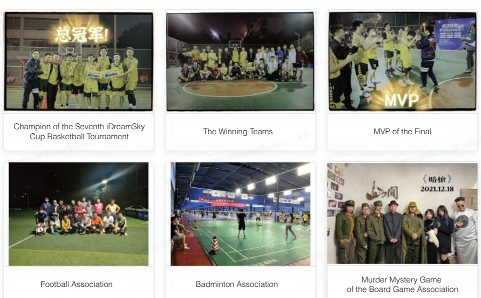
Meanwhile, we carried out activities in offline stores, and continued to implement activities featuring iDreamSky cultural characteristics, such as "Thanksgiving Gifts for Your Parents", "Family Open Day" and "Children's Day". We integrated our game products and corporate culture for visual presentation and peripheral design of the activities, and tied our businesses to such activities ad projects as parent-child talent show, offline store game experience, handicraft DIY, etc. to boost intimate interaction between employees and their families, establishing and showing the brand image of a good corporate employer.

iDreamSky's Team Building Activities in 2021

To enhance the sense of belonging of technical staff to the Company, we has made October 24 every year as a holiday exclusively for our programmers. In 2021, we held various celebrations to strengthen the communication among technical talents.

We have set up 5 sports associations within the Company, including basketball, soccer, badminton, board games and e-sports, attracting 370 staff members. Throughout 2021, the associations held a total of 146 daily activities, including 1 large internal competition and 6 external friendly exchange matches, with 964 participants.

Case Study: Community Activities of the Company in 2021



The largest number ofparticipants over the years

The number of participants in the seventh iDreamSky Cup basketball tournament hit 60, the largest ever

Round robin point system enhanced experience

The round-robin point system was adopted to enhance the experience of all participating teams, preventing them from failing in the first round

Professional referees

A professional team of referees was hired to ensure that all matches are conducted normally without any violations the spirit of sports

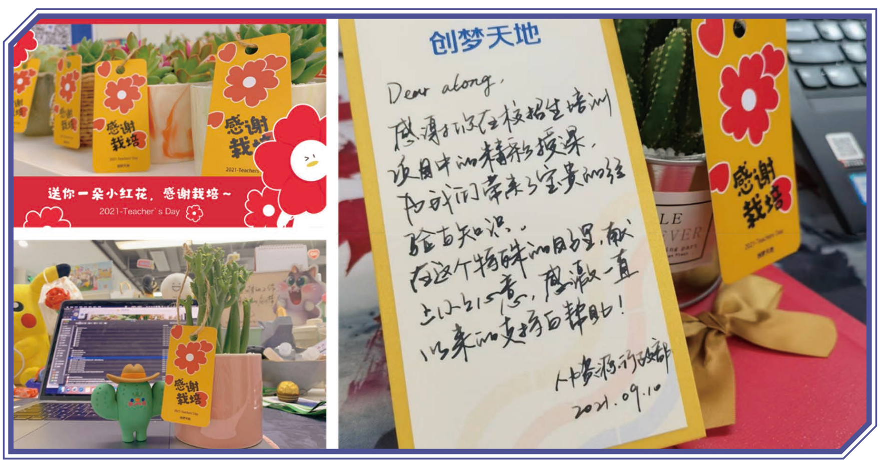
Activities of the Sports Associations in 2021

Case Study: October 24 - Programmer's Day - A festival exclusive for programmers

We set a benchmark for programmers to convey our emphasis on programmers and technology construction. On the Programmer's Day in 2021, we prepared exclusive gifts for our internal technical staff, invited external experts to hold special lectures and organized a technical staff tea party. The activity reached about 280 employees.

2021 Programmer's Day

In addition, we partnered with the 99 Student's Assistance Program to create the "Learning Month of September" through the "Daily Lesson Push Program". Through online learning and check-ins, employees can convert their learning time into pro bono donations to help build "dream classrooms" for children in mountainous areas. We held the offline "Thanks for Cultivation" event on the Teacher's Day honoring all employees who had played an active part in sharing and learning sessions within the Company. By creating a learning atmosphere within the Company, we enhance employees' self-motivation and promote the spirit of altruism.



Thanksgiving Activity on 2021 Teachers' Day

Building a Green iDreamSky

We are well-versed in the fact that sustainable development stems from the responsibility we take to protect the environment. We strictly comply with the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" and other relevant laws and regulations, continuously improve the construction of our environmental management system in line with our business characteristics, the efficiency and management level of energy and resource use, and strictly control GHG emissions. Meanwhile, we actively respond to the target on carbon neutrality, and have formulated and implemented relevant administrative policies to provide guidelines for the use of electricity, water and paper in all office premises.

In 2021, the Company was not penalized for violating environmental laws and regulations and did not receive any complaints from any other parties regarding environmental protection.

Emissions

We uphold the concept of green, clean and low-carbon office and actively take responsibility for environmental protection. As a digital entertainment platform deeply engaged in the gaming industry, we promote the use of large-scale cloud servers for data storage. The types of emissions of our Group are mainly greenhouse gases and waste emitted from daily electricity consumption in our office area and gasoline combustion of our business vehicles.

Greenhouse Gas (GHG)

GHG emissions review enables us to gain a clear picture of our direct and indirect contributions to greenhouse gas emissions. We are committed to reducing GHG emissions within five years in response to the challenges posed by climate change. Our GHG emissions are generated mainly from daily electricity consumption in our office areas and energy consumption from the use of business vehicles.

We endeavor to reduce our GHG emissions. By evaluating GHG emission intensity converted from this year's data and setting a baseline, we aimed at reducing GHG emissions over the next five years.

GHG Emissions Data		**As of the year ended December 31,**		
GHG emissions	**Unit**	**2021**	2020	2019
Total GHG emissions	Tonne CO2e	**368.27**	318.16	474.41
Scope 1 — Direct GHG emissions	Tonne CO2e	**20.20**	—	—
Scope 2 — Indirect energy emissions	Tonne CO2e	**348.07**	318.16	474.41
GHG emissions intensity	Tonne CO2e/FTE	**0.41**	0.43	0.50

Notes:

(1) The disclosure of environmental KPIs covers the period from January 1, 2021 to December 31, 2021.

(2) The geographical scope of disclosure of environmental KPIs includes: the headquarter office area of iDreamSky Technology Holdings Limited.

(3) Sources of emission coefficients: (i) when calculating emissions, emission coefficients are in reference to the "Reporting Guidance on Environmental KPIs" issued by the HKEX; (ii) when calculating GHG emissions, emission coefficients are in reference to the "Reporting Guidance on Environmental KPIs" issued by the HKEX; and (iii) the conversion factors of various energy consumption units are in reference to the "Greenhouse Gas Emissions Accounting Methodology and Reporting Guidelines for Enterprises in Secondary Industry and other Industries" issued by the National Development and Reform Commission.

(4) GHG emissions in 2021 (Scope 1) were from direct gasoline combustion emissions from automobiles; GHG emissions (Scope 2) were from indirect GHG emissions from purchased electricity.

(5) To maintain data consistency, we use the 2012 average emission factors from the “2011 and 2012 Regional Grid Average CO2 Emission Factor for China” issued by the National Development and Reform Commission for the calculation of indirect carbon emissions from electricity use in 2021.

Waste Management

We strictly follow the waste disposal principles of reduction and harmlessness, and carry out separate collection and unified treatment for wastes generated in daily office. We conduct centralized disposal of kitchen waste at lunchtime and dinner time every day, inspected by personnel arranged for by the administration department. For some recyclable wastes, the administration department assists employees in unified recycling.

Our hazardous waste includes office ink cartridges and end-of-life electronic equipment. Consumables for ink cartridges are replenished by our suppliers on a regular basis, while end-of-life electronic equipment, mainly computers and servers, are handed over to our procurement department for end-of-life disposal, and are collected and recycled by our electronic service providers. By collecting and disposing of waste in an appropriate and legal manner, we strive to reduce the environmental impact of waste generation. We will continue to boost our waste management efforts by encouraging our employees to separate waste and reduce unnecessary waste. Since hazardous waste and non-hazardous waste are directly recycled by the Company’s asset management department, we do not have the relevant waste generation data internally. We will carry out the collection and disclosure of waste data in the future.

Waste Water

The waste water generated in our daily office work mainly comes from toilets and pantries, and is discharged directly to the municipal network through the sewage pipes managed by the property.

Use of Resources

During the year, the Company continued to make inputs into the establishment of a sound resource and energy management mechanism and implement the main responsibility for environmental protection. To this end, we conserved electricity, water and paper resources in our daily operations as always and tried our best to reduce the negative impact on the environment caused by energy and resource consumption.

Electricity Consumption

Since we have over 900 computers for our game development business, we consume a lot of energy, especially when using servers, computers and air conditioning. Electricity is the main source of energy for our operations. Therefore, most energy saving projects focus on reducing electricity consumption. As part of our efforts to reduce energy consumption, we use LED lighting in our offices. We encourage our employees to set their computers to sleep mode when they are idle for more than 30 minutes. We also set the office temperature to 25 degrees Celsius during the summer months, which has contributed to reduce our electricity consumption.

We endeavor to reduce our electricity consumption. By evaluating electricity consumption intensity converted from this year's data and setting a baseline, we aimed at reducing electricity consumption over the next five years.

Water Consumption

We consume water mainly for daily office operations and the domestic sewage generated is discharged to the municipal sewerage network for treatment. During the year, the Group did not encounter any problems in obtaining water for use. We are committed to reducing water consumption by posting water conservation signs in all restrooms and reminding our staff to turn off the taps after use to raise their awareness of water conservation. We have also installed dual-flush water saving toilets. In addition, we regularly inspect water pipes. If any leaks in the water supply facilities are found, we will notify the property management company in real time to arrange for repair and inspection.

We endeavor to reduce our water consumption. By evaluating water consumption intensity converted from this year's data and setting a baseline, we aimed at reducing water consumption over the next five years.

Case Study: Highlights of Energy Saving and Emission Reduction in 2021

In 2021, the Company adopted electronic means of communication to reduce paper printed copies from 650 to 100 when issuing the 2021 Interim Report. At the same time, we plan to adopt Forest Stewardship Council (FSC) certified paper for the 2021 Annual Report and actively practice the environmental slogan.

Data of Use of Resources		**As of the year ended December 31,**		
Resource usage	**Unit**	**2021**	2020	2019
Resource usage and resource usage intensity				
Electricity consumption	kWh	**660,356**	603,603	753,024
Gasoline consumption	Litre	**7635.64**	8477.00	8840.49
Water consumption	Cubic meter	**5,236**	4,281	5,113
Paper consumption	kg	**5.69476**	4.70971	7.07784
Electricity consumption intensity	kWh/FTE	**736.18**	819.00	794.33
Gasoline consumption intensity	Litre/FTE	**8.51**	11.50	9.33
Water consumption intensity	Cubic meter/FTE	**5.84**	5.81	5.39
Paper consumption intensity	kg/FTE	**0.00635**	0.00639	0.00747

Notes:

(1) Total water consumption is from municipal water supply.

(2) Energy consumption and water and paper density are calculated using our full-time employees as the denominator in 2021.

Green Office

We create a good atmosphere for energy saving and consumption reduction to enhance our employees' awareness in this respect. This year, we continued to implement a series of internal administrative policies to fuel our environmental protection efforts, as follows:

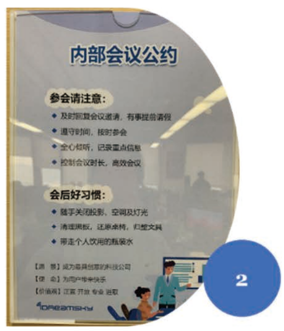
- Replaced aging air conditioners, regularly checked their refrigeration water pipes, water condensation pipes and vents, and conducted dust cleaning and refrigeration effect inspections during the Spring Festival and National Day every year.

- Required employees to swipe their ID card to use the printer, and the administration department exported the paper usage records for unified audit at the end of the year. In addition, we set up a waste paper recycling area next to the printer, where all single-sided used paper is recycled and handed over to the administrative team for binding to achieve secondary use and reduce the waste of paper resources.

- The administration department disseminates energy saving and emission reduction to the whole company by issuing online energy saving and emission reduction reminders bi-weekly, posting energy saving operation guidelines on office walls and setting up restroom micro-bulletin.

- After work on summer evenings, we require the property management staff to conduct inspections every 2 hours on each floor to turn off unused air conditioners and computers.

Employees are required to swipe their ID card to use the printer, and a waste paper recycling area is set up next to the printer. The recycled paper is reused by the administrative department.



All lamps are replaced by LED lights, and electricity-saving posters are put up on the walls of the Company.

Air conditioners' temperature is recommended to set at 26 degrees Celsius.

Energy Saving Measures

Slogans for Paper Conservation in Toilets

Environmental Impact of Business

We strive to continuously reduce the impact of our business activities on the environment in various ways. To be specific, we save electricity by purchasing energy-saving certified equipment, and we promote the integration of resources and reduce consumption by cleaning up inactive and unnecessary businesses, sorting out servers used in our game business and operations of our SMS service providers, and reducing server room leases. We also encourage our employees to use video conferencing technology to reduce our air travel footprint.

In addition to emissions and resource usage, we regularly review our operating practices and have adopted a number of measures for each of our offices, which range from energy saving and emission reduction to sustainable procurement.

In 2021, we were not aware of any significant impact on the environment and natural resources as a result of our daily operations and complied with all relevant environmental laws and regulations.

Response to Climate Change

The risks posed by climate change are critical to the Company’s future sustainability. We keep a close eye on global climate change and related laws and regulations, and fully support carbon neutral initiatives at the business, strategic and financial levels. For the time being, we have purchased large data cloud storage services such as “Tencent Cloud” and “Huawei Cloud” to minimize internal waste emissions and use of resources and energy. In 2021, we complied with all applicable environmental protection laws and regulations and did not cause any adverse damage to the climate.

Climate change poses a variety of risks to our business. Our physical risks primarily come in acute and chronic ones resulting from climate change, while our transition risks arise mainly from policies, laws, technologies, markets and reputation related with national carbon neutrality actions.

In terms of physical risks, storms, floods, fires and other severe weather events caused by climate change may damage our production facilities, cause disruptions to our value chain and threaten the safety and sustainability of our business. Therefore, we have considered the impact of regional climate when laying out our business, purchased external digital cloud-based storage services such as "Tencent Cloud", and developed contingency measures for climate change to protect against asset losses due to acute and chronic physical risks.

When it comes to transition risks, against the backdrop of the accelerating popularity of the low-carbon economy, we may subject to serious consequences such as damage to our brand reputation, loss of customers and administrative penalties if we fail to effectively and immediately align with relevant policies and legal regulations issued by the State. We are currently investing more heavily on relevant technology research and development to provide more low-carbon services and products and to reduce carbon emissions from ourselves and our upstream and downstream value chains.

Case Study: Highlights of the 2021 Extreme Weather Response Plan

In 2021, we issued 8 administrative notices to remind our employees to travel safely in response to extreme weather events such as typhoons, rainstorms, and extreme heat. For severe weather that may affect employees' travel, we follow the tips from the Meteorological Bureau to make response plans and require strict implementation throughout the company; at the same time, we take care of our employees, both physically and mentally, by providing free rain gears, hair dryers, cultural shirts and ginger tea to those who come to the office for work during severe weather to keep them warm.

Commitment to Social Welfare Construction

iDreamSky upholds our corporate social responsibility and actively responds to the call of the State to participate in social welfare construction. By caring for socially disadvantaged groups, fueling alleviate poverty through education in mountainous elementary schools, carrying out "precise poverty alleviation", and actively making pro-bono donations, we are bending over backwards to contribute our share to promote social progress.

Emergency Disaster Response

Case Study: Emergency Disaster Relief Activities

On July 21, 2021, the heavy rainfall in Henan Province triggered a serious disaster, which touched the hearts of people all over China. iDreamSky donated RMB1 million to the Red Cross Society of China Zhengzhou Branch to ensure the personal safety of local people, purchase emergency relief materials and rebuild after the disaster. In October of the same year, Shanxi Province was hit by extreme rainfall, triggering natural and geological disasters. iDreamSky donated RMB1 million to Shanxi Province to help the local government with rescue and relief work, protection of people's lives and properties, and post-disaster reconstruction work.

Disaster Donations

Promotion of the Essence of Tradition

Under the leadership of the Party branch, iDreamSky has taken the initiative to integrate into the "big picture" of party building in the Greater Bay Area by organizing activities such as the Global Game Developers Conference and the 24-Hour Extreme Creation Festival, influencing and driving the development of the game industry. Leveraging e-sports tournaments and other cultural carriers that young people are willing to embrace, we strengthen cultural exchange among and unite the youth of Guangdong, Hong Kong and Macau.

Global Game Developers Conference

iDreamSky has held the Global Game Developers Conference for several times in a row, attracting nearly 20,000 attendees from 52 countries around the world and exhibiting nearly 300 original game titles, of which more than 50 titles have led to substantial results. We aim at building an international technology and culture exchange platform to help more high-quality Chinese original games to make their international debut, and leveraging our technological and cultural capabilities to influence and drive the development of the Greater Bay Area.

The First Macau Esports Carnival

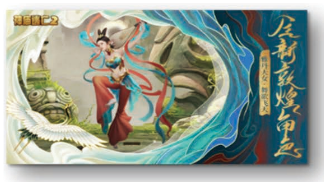
In 2021, iDreamSky integrated multiple resources, including gaming resources in Shenzhen, Guangzhou and Macau to build a platform for the youth in Guangdong, Hong Kong and Macau to promote the development of gaming in the Greater Bay Area. Digital content is the best way to spread Chinese culture and one that is mostly embraced by the youth. Our co-founders were elected as the president of Shenzhen Esports Association, Guangzhou Esports Industry Association and Macau E-Sports Federation respectively, and we organized the first Macau Esports Carnival and the Greater Bay Area Esports Showdown at the Global Game Developers Conference.

"Subway Surfers" Incorporates Chinese Urban Elements

Previously, most of the games are full of ancient Chinese cultural elements, leaving overseas players barely know anything about modern Chinese culture. In 2021, we endeavored to deliver positive energy in our games, allowing the new generation in China to learn about and comprehend Chinese culture and history, and enhancing the influence of Chinese culture across the globe. The Party branch of iDreamSky integrated Chinese urban elements into "Subway Surfers" and launched versions for more than 10 cities, including Beijing, Xi'an and Chengdu, to show China's modern and beautiful scenery to 2.5 billion people around the world, enabling global players to feel the unique charm of Chinese culture while enjoying a pleasant gaming experience. Amid the pandemic, we also launched a special version — "Come on, Wuhan" to deliver warmth and convey positive energy to users while relieving their anxiety.

Case Study: "Gardenscapes" Spring Parade Activity

iDreamSky provides innovative value to the games with culture, and broadens the boundary of its social responsibility with games as a communication carrier. We explore the cultural and historical crystallization such as the Forbidden City and Mogao Caves, and interpret them in our casual games "Gardenscapes" and "Temple Run" to bring China's soft culture to the world in a different dimension. So far, we have spread Chinese elements widely in more than 30 countries and regions worldwide, reaching over 1 billion people.



Classical Gardens of Suzhou
"Gardenscapes"

Forbidden City Culture
"Gardenscapes"

Dunhuang Culture
"Temple Run"

Culture Empowers Games with Innovative Value

Volunteer and Public Welfare Projects

The Party branch of iDreamSky insists on leading the public welfare cause with party building, exploring a new model of "party building + public welfare" in the new era, and actively engaging in the construction of social welfare with a high sense of social responsibility. Through various channels, we have donated more than RMB7 million for the earthquake-stricken areas in Lushan County, Ya'an City, Sichuan Province and in Ludian, the flood-stricken areas in Hunan, as well as the China Youth Development Foundation. Shortly after the COVID-19 outbreak, we set up an emergency response team and a special medical aid fund for Hubei. Besides, we also deployed first-line medical supplies from home and abroad to those who were at the forefront of the battle against the pandemic, passing on love of the society.

Case Study: Donation to Elementary Schools in Mountainous Areas

Concerned about rural education, iDreamSky has organized several funding activities, such as book donations to elementary schools in Shanwei, Guangdong, library construction for rural elementary school in Ruyang, Henan, and school supplies donations to two elementary school in Baiyin, Gansu.

Book Donations to Elementary Schools in Mountainous Areas

HKEX ESG GUIDE CONTENT INDEX

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

Opinion

What we have audited

The consolidated financial statements of iDreamSky Technology Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 143 to 265, comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition — estimation of lifespan of in-game virtual items.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition — estimation of lifespan of in-game virtual items Refer to notes 2.27, 4(a) and 6 to the consolidated financial statements. During the year ended December 31, 2021, the Group's revenue from game business amounted to RMB2,297,930,000, representing 87.12% of the Group's total revenues. It was mainly derived from the sales of in-game virtual items. The Group recognizes the revenue from sales of in-game virtual items ratably over the lifespan of in-game virtual items determined by management with reference to the average expected playing period of paying players ("**Player Relationship Period**") for Role-Playing Game mobile games and certain casual mobile games. We focus on this area due to the fact that management applied significant judgements in determining the Player Relationship Period. These judgements included (i) the determination of key assumptions applied in the Player Relationship Period, including historical users' consumption patterns, churn rates, reactivity on marketing activities and game life-cycle; (ii) the identification of events that may trigger changes in the expected Player Relationship Period.	Our procedures performed in relation to the estimation of lifespan of in-game virtual items included: — We obtained an understanding of management's internal control and assessment process of the estimation of the lifespan of in-game virtual items based on the expected Player Relationship Period taking into consideration of the nature of games, market practice and our industry knowledge, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity. — We evaluated and tested, on a sample basis, key controls in respect of the estimation of lifespan of in-game virtual items, including management's review and approval of (i) determination of the estimated lifespan of new virtual items prior to their launches; and (ii) changes in the estimated lifespan of existing virtual items based on periodic reassessment on any indications triggering such changes. We also assessed the data generated from the Group's information system supporting the management's review, including testing the information system logic for generation of reports, and checking, on a sample basis, the monthly computation of revenue recognized on selected games based on reports generated from the Group's information system.

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2022

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenues	6	**2,637,637**	3,212,118
Cost of revenues	7	**(1,534,296)**	(1,876,354)
Gross profit		**1,103,341**	1,335,764
Selling and marketing expenses	7	**(509,687)**	(339,580)
General and administrative expenses	7	**(299,793)**	(369,574)
Research and development expenses	7	**(325,201)**	(325,222)
Net impairment losses on financial assets and contract assets	7	**(20,580)**	(101,804)
Other income	8	**53,296**	24,005
Other losses, net	9	**(14,449)**	(610,481)
Fair value losses on financial assets at fair value through profit or loss	21	**(3,511)**	(14,998)
Operating loss		**(16,584)**	(401,890)
Finance income	11	**64,383**	6,691
Finance costs	11	**(134,416)**	(147,430)
Finance costs, net	11	**(70,033)**	(140,739)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	31	**(85,662)**	(20,879)
Share of results of investments accounted for using the equity method	20	**(8,901)**	(10,970)
Loss before income tax		**(181,180)**	(574,478)
Income tax credit	12	**25,250**	9,482
Loss for the year		**(155,930)**	(564,996)

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
— Currency translation differences		**(93,486)**	(79,123)
Items that may be reclassified to profit or loss			
— Currency translation differences		**81,992**	67,911
Total comprehensive loss for the year		**(167,424)**	(576,208)
Loss for the year attributable to:			
— Equity holders of the Company		**(157,478)**	(441,570)
— Non-controlling interests		**1,548**	(123,426)
		(155,930)	(564,996)
Total comprehensive loss attributable to:			
— Equity holders of the Company		**(168,972)**	(452,782)
— Non-controlling interests		**1,548**	(123,426)
		(167,424)	(576,208)
Losses per share			
— Basic losses per share (in RMB)	13	**(0.13)**	(0.36)
— Diluted losses per share (in RMB)	13	**(0.13)**	(0.36)

The notes on pages 150 to 265 are an integral part of these consolidated financial statements.

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	62,249	29,880
Intangible assets	17	1,694,129	1,823,150
Investment properties	16	31,860	33,074
Right-of-use assets	15	156,383	106,015
Investments accounted for using the equity method	20	372,185	367,574
Financial assets at fair value through profit or loss	21	457,507	374,769
Prepayments and other receivables	24	31,152	118,662
Goodwill	18	73,222	73,222
Contract assets	23	159	1,192
Deferred tax assets	35	125,572	78,571
		3,004,418	3,006,109
Current assets			
Inventories		11,331	—
Trade receivables	22	781,346	1,149,331
Amounts due from related parties	38(c)(i)	5,382	1,657
Prepayments and other receivables	24	1,917,866	1,506,821
Contract assets	23	295	980
Contract costs	34	91,296	194,462
Financial assets at fair value through profit or loss	21	73,959	105,872
Restricted cash	26	10,246	52,042
Cash and cash equivalents	25	714,801	735,567
		3,606,522	3,746,732
Total assets		6,610,940	6,752,841
EQUITY			
Equity attributable to equity holders of the Company			
Share capital, share premium and treasury shares	27	3,166,013	2,533,966
Reserves	28	744,982	731,683
Retained earnings		24,055	182,622
		3,935,050	3,448,271
Non-controlling interests		274,192	267,570
Total equity		4,209,242	3,715,841

	Note	As of December 31, 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	30	**450,719**	—
Lease liabilities	15	**59,945**	15,782
Convertible bonds classified as financial liabilities at fair value through profit or loss	31(a)	**—**	206,308
Convertible bonds	31(b)	**401,461**	367,874
Deferred government grants	8(a)	**—**	1,847
		912,125	591,811
Current liabilities			
Borrowings	30	**899,711**	1,553,659
Lease liabilities	15	**19,881**	11,250
Trade payables	32	**112,500**	227,341
Amounts due to a related party	38(c)(iii)	**—**	14,734
Other payables and accruals	33	**166,531**	281,447
Current income tax liabilities		**40,310**	30,523
Deferred government grants	8(a)	**467**	4,483
Contract liabilities	34	**250,173**	321,752
		1,489,573	2,445,189
Total liabilities		**2,401,698**	3,037,000
Total equity and liabilities		**6,610,940**	6,752,841

The notes on pages 150 to 265 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 143 to 265 were approved by the Board of Directors on March 30, 2022 and were signed on its behalf.

Chen Xiangyu
Director

Guan Song
Director

		Attributable to equity holders of the Company								
	Note	Share capital, share premium and treasury shares RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2020		2,542,551	16,100	79,527	33,525	250,502	635,353	3,557,558	388,035	3,945,593
Loss for the year		—	—	—	—	—	(441,570)	(441,570)	(123,426)	(564,996)
Other comprehensive income										
— Currency translation differences	28	—	—	—	(11,212)	—	—	(11,212)	—	(11,212)
Total comprehensive income for the year		—	—	—	(11,212)	—	(441,570)	(452,782)	(123,426)	(576,208)
Transactions with owners										
Profit appropriation to statutory reserves	28	—	—	11,161	—	—	(11,161)	—	—	—
Share-based compensation expenses	29	—	—	—	—	89,460	—	89,460	—	89,460
Equity component of convertible bonds issued	31(b)	—	—	—	—	262,620	—	262,620	—	262,620
Acquisition of treasury shares	27	(8,585)	—	—	—	—	—	(8,585)	—	(8,585)
Capital injection from non-controlling interests		—	—	—	—	—	—	—	2,961	2,961
Total transactions with owners recognized directly in equity for the year		(8,585)	—	11,161	—	352,080	(11,161)	343,495	2,961	346,456
Balance at December 31, 2020		2,533,966	16,100	90,688	22,313	602,582	182,622	3,448,271	267,570	3,715,841
Balance at January 1, 2021		**2,533,966**	**16,100**	**90,688**	**22,313**	**602,582**	**182,622**	**3,448,271**	**267,570**	**3,715,841**
Loss for the year		**—**	**—**	**—**	**—**	**—**	**(157,478)**	**(157,478)**	**1,548**	**(155,930)**
Other comprehensive loss										
— Currency translation differences	28	**—**	**—**	**—**	**(11,494)**	**—**	**—**	**(11,494)**	**—**	**(11,494)**
Total comprehensive loss for the year		**—**	**—**	**—**	**(11,494)**	**—**	**(157,478)**	**(168,972)**	**1,548**	**(167,424)**
Transactions with owners										
Profit appropriation to statutory reserves	28	**—**	**—**	**1,089**	**—**	**—**	**(1,089)**	**—**	**—**	**—**
Share-based compensation expenses	29	**—**	**—**	**—**	**—**	**24,894**	**—**	**24,894**	**—**	**24,894**
Early conversion of convertible bonds	31(a)	**287,968**	**—**	**—**	**—**	**—**	**—**	**287,968**	**—**	**287,968**
Issuance of ordinary shares to the new investors	27	**349,230**	**—**	**—**	**—**	**—**	**—**	**349,230**	**—**	**349,230**
Acquisition of treasury shares	27	**(5,151)**	**—**	**—**	**—**	**—**	**—**	**(5,151)**	**—**	**(5,151)**
Capital injection from non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,859**	**5,859**
Transaction with non-controlling interests	43(c)(i)	**—**	**—**	**—**	**—**	**(1,190)**	**—**	**(1,190)**	**(785)**	**(1,975)**
Total transactions with owners recognized directly in equity for the year		**632,047**	**—**	**1,089**	**—**	**23,704**	**(1,089)**	**655,751**	**5,074**	**660,825**
Balance at December 31, 2021		**3,166,013**	**16,100**	**91,777**	**10,819**	**626,286**	**24,055**	**3,935,050**	**274,192**	**4,209,242**

The notes on pages 150 to 265 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	165,733	417,303
Income taxes paid		(11,964)	(32,563)
Net cash generated from operating activities		153,769	384,740
Cash flows from investing activities			
Interest received from wealth management products	8	9	22
Proceeds from disposals of property, plant and equipment	36(a)	322	550
Proceeds from disposals of intangible assets	36(a)	21,300	5,660
Purchase of property, plant and equipment		(12,805)	(6,008)
Payment for construction in progress		(27,335)	(9,963)
Purchase/prepayment of intangible assets		(223,957)	(731,857)
Loans to related parties	38(b)(vi)	(31,401)	(10,762)
Repayment of loans due from related parties	38(b)(vi)	27,559	10,000
Loans to third parties		(92,053)	(122,895)
Repayment of loans due from third parties		128,235	47,301
Investments in associates and joint ventures		(36,290)	(67,000)
Investments in financial assets at fair value through profit or loss		(10,012)	(112,964)
Proceeds from disposal of financial assets at fair value through profit or loss		58,066	33,993
Proceeds from disposal of investments in associates		7,117	667
Payment of land use rights		(2,510)	(41,824)
Payment for acquisition of a subsidiary		(81,000)	(60,650)
Net cash used in investing activities		(274,755)	(1,065,730)

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Proceeds from capital injection from non-controlling interests of the Company's subsidiaries		**5,259**	2,961
Proceeds from borrowings		**713,000**	1,381,712
Repayment of borrowings		**(852,811)**	(1,137,180)
Net proceeds from the issuance of convertible bonds classified as financial liabilities at fair value through profit or loss	31(a)	**—**	204,552
Net proceeds from issuance of convertible bonds	31(b)	**—**	638,528
Payments for share repurchase	27	**(5,151)**	(8,585)
Changes in restricted cash		**41,796**	(52,042)
Repayment of loan due to a related party	38(b)(vii)	**(2,528)**	(6,425)
Principal elements of lease payments		**(16,109)**	(22,043)
Interest expenses paid		**(112,461)**	(89,579)
Proceeds from issuance of ordinary shares to the new investors		**349,230**	—
Payment for transaction with non-controlling interests		**(1,240)**	—
Net cash generated from financing activities		**118,985**	911,899
Net (decrease)/increase in cash and cash equivalents		**(2,001)**	230,909
Cash and cash equivalents at the beginning of the financial year		**735,567**	532,746
Effects of exchange rate changes on cash and cash equivalents		**(18,765)**	(28,088)
Cash and cash equivalents at the end of the year		**714,801**	735,567

The notes on pages 150 to 265 are an integral part of these consolidated financial statements.

1 General information

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

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

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

This consolidated financial statements for the year ended December 31, 2021 are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 30, 2022.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") and requirements of the Hong Kong Companies Ordinance Cap. 622.

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

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

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial year beginning on January 1, 2021.The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IFRS (amendment)	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
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, 2024
Amendments to IAS 1, and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
IFRS 17	Insurance contract	January 1, 2023
Amendments to IFRS 17, IFRS 4 and IAS 16	Extension of the Temporary Exemption from Applying IFRS 9 and Property, Plant and Equipment	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

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

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

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

(b) ***Associates***

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

(c) ***Joint arrangements***

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Equity method

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

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

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

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

(e) Changes in ownership interests

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

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

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests (Continued)

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

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

2 Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

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

2.7 Property, plant and equipment

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

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

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

2.8 Investment properties

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

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

2.9 Intangible assets

(a) Goodwill

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

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

(b) Computer software

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

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets (Continued)

(c) Game intellectual properties and licenses

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

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

(d) Research and development expenditures

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

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

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

2 Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement

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

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

Debt instruments

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

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

2 Summary of significant accounting policies (Continued)

2.11 Investments and other financial assets (Continued)

(c) *Measurement* (Continued)

Equity instruments

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

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

(d) *Impairment*

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

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

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

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

2.12 Offsetting financial instruments

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

2 Summary of significant accounting policies (Continued)

2.13 Inventories

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

2.14 Trade receivables

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

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

2.15 Cash and cash equivalents

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

2.16 Share capital and shares held for employee share scheme

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

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

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

2 Summary of significant accounting policies (Continued)

2.17 Trade payables

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

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

2.18 Borrowings

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

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

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

2.19 Borrowing costs

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

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

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

2 Summary of significant accounting policies (Continued)

2.20 Convertible bonds

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

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

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

2.21 Convertible bonds classified as financial liabilities at fair value through profit or loss

For the convertible bond accounted for in their entirety as financial liabilities through profit and loss, the fair value changes are reflected in FVPL within the consolidated statements of comprehensive income, except for the portion attributable to credit risk change that should be charged to other comprehensive income. The embedded conversion features do not require future evaluation, bifurcation, and separate accounting as the change in fair value of embedded features is reflected in the change in fair value in the compound instrument under such "whole instrument" approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statements of comprehensive income.

The instrument are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.22 Contract liabilities and contract costs

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

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

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax (Continued)

(c) Offsetting

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

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

2.24 Employee benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

(c) Bonus plans

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

2 Summary of significant accounting policies (Continued)

2.25 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.26 Provisions

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

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

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

2.27 Revenue recognition

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

Game distribution revenue

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Game distribution revenue (Continued)

(a) Casual mobile games

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

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

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Game distribution revenue (Continued)

(c) Principal Agent Consideration

(i) Third party licensed mobile games

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

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

The Group acts as Agent

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Game distribution revenue (Continued)

(c) Principal Agent Consideration (Continued)

(i) Third party licensed mobile games (Continued)

The Group acts as Agent (Continued)

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

The Group acts as Principal

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

(ii) Self-developed and acquired mobile games

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Game distribution revenue (Continued)

(d) Timing of revenue recognition

(i) Casual mobile games

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

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

(ii) RPG mobile games

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

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Game distribution revenue (Continued)

(d) Timing of revenue recognition (Continued)

(ii) RPG mobile games (Continued)

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

For the year ended December 31, 2021 and 2020, the Player Relationship Period is based on twenty four and twenty five games that have sufficient historical operating data, respectively. The same Player Relationship Period was applied to the other games due to the lack of sufficient historical operating data, as well as the similarity in game characteristics and playing patterns of paying players, such as targeted players and purchasing frequency. While the Group believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future as the games' operation periods change, sufficient individual game data become available, or there is indication that the similarities in characteristics and playing patterns of paying players of the games change. Any adjustments arising from changes in Player Relationship Period would be applied prospectively on the basis that such changes are caused by new information indicating a change in game player behavior patterns. Any changes in the Group's Player Relationship Period may result in revenues being recognized on a basis different from prior periods' and may cause its operating results to fluctuate.

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Game development and co-operation revenue

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (Continued)

Information service revenue

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

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

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

Experiential retail revenue

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

2.28 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

2 Summary of significant accounting policies (Continued)

2.28 Earnings per share (Continued)

(b) Diluted earnings per share

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

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

2.29 Dividend income

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

2.30 Leases

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.30 Leases (Continued)

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

2 Summary of significant accounting policies (Continued)

2.30 Leases (Continued)

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

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

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

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

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

2.31 Interest income

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

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

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

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

2 Summary of significant accounting policies (Continued)

2.32 Government grants/subsidies

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

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

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

2.33 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB and the subsidiaries operate in oversea is United States dollar ("**USD**"). The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets in foreign currencies, primarily with respect USD in transactions with certain oversea platforms. For the year ended December 31, 2021 and 2020, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, post-tax profit for the year ended December 31, 2021 would have been RMB2,718,000 higher/lower (2020: RMB8,264,000), respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated receivables and cash and cash equivalents.

The Group's certain oversea subsidiaries are exposed to foreign exchange risk from the convertible bonds denominated in HKD whereas their functional currency is USD. Since HKD and USD are pegged under Hong Kong linked exchange rate system, the actual exchange rate fluctuation between HKD and USD during 2021 was immaterial.

The Company exposed to foreign exchange risk arising from the borrowings denominated in Euro ("**EUR**") whereas their functional currency is USD. For the year ended December 31, 2021, if EUR had strengthened/weakened by 10% against USD with all other variables held constant, post-tax profit for the year ended December 31, 2021 would have been RMB55,893,000 (2020: RMB72,548,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EUR-denominated borrowings.

The Group does not hedge against any fluctuation in foreign currencies during the year ended December 31, 2021 and 2020.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and loans to third parties, details of which have been disclosed in Note 25, 26 and 24 respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 30. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

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

As of December 31, 2021 and 2020, borrowings of the Group which were bearing at floating rates amounted to approximately, RMB791,500,000 and RMB454,151,000 respectively. As of December 31, 2021 and 2020, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2021 and 2020 would has been approximately RMB3,362,000 and RMB1,925,000 lower/higher.

(b) Credit risk

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

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

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

(ii) Credit risk of trade receivables and contract assets

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of amounts due from related parties

The amounts due from related parties is non-trade in nature. As of December 31, 2021, the Group applied the expected credit loss rate at 2.06% (2020: 0.61%) to estimate the impairment provision for the amount due from related parties. Movements in the provision for impairment of amount due from related parties as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**21**	449
Provision/(reversal) for impairment	**92**	(428)
At the end of the year	**113**	21

(iv) Credit risk of other receivables

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

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (Continued)

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

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

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

Management makes periodic collective assessments on the recoverability of other receivables based on historical settlement records and past experience. At each reporting period end, the loans to third parties and employees were categorized in stage 1.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (Continued)

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

Other receivables	Expected credit loss rate	Basis for recognition of expected credit loss provision	As of December 31, 2021 Estimated gross amount at default *RMB'000*	As of December 31, 2021 Carrying amount (net of impairment provision) *RMB'000*
Loans to third parties-performing	1.40%	12 months expected losses	225,589	222,431
Rental and other deposits	1.58%	12 months expected losses	8,206	8,076
Loans to employees	0.59%	12 months expected losses	6,449	6,411
Loans to third parties-underperforming	100.00%	Life time expected losses	6,900	—
Others	1.60%	12 months expected losses	34,879	34,322
			282,023	271,240

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iv) Credit risk of other receivables (Continued)

Other receivables	Expected credit loss rate	Basis for recognition of expected credit loss provision	As of December 31, 2020 Estimated gross amount at default *RMB'000*	As of December 31, 2020 Carrying amount (net of impairment provision) *RMB'000*
Loans to third parties-performing	1.35%	12 months expected losses	271,563	267,897
Rental and other deposits	0.63%	12 months expected losses	6,995	6,951
Loans to employees	0.48%	12 months expected losses	8,249	8,209
Loans to third parties-underperforming	100.00%	Life time expected losses	2,500	—
Others	1.10%	12 months expected losses	26,396	26,106
			315,703	309,163

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

	Year ended December 31, **2021** ***RMB'000***	Year ended December 31, 2020 *RMB'000*
At the beginning of the year	**6,540**	7,976
Provision/(reversal) for impairment	**14,034**	(748)
Written off during the year	**(9,772)**	(688)
Disposal of a subsidiary	**(19)**	—
At the end of the year	**10,783**	6,540

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. 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	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As of December 31, 2020					
Borrowings	1,643,125	—	—	1,643,125	1,553,659
Trade payables	227,341	—	—	227,341	227,341
Convertible bonds classified as financial liabilities at fair value through profit or loss	4,894	4,894	195,747	205,535	206,308
Convertible bonds	20,383	20,383	713,421	754,187	367,874
Lease liabilities	12,433	5,931	11,452	29,816	27,032
Amounts due to a related party	14,734	—	—	14,734	14,734
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	203,472	—	—	203,472	203,472
Total	2,126,382	31,208	920,620	3,078,210	2,600,420

3.2 Capital managements

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance 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, convertible bonds and convertible bonds classified as financial liabilities at fair value through profit or loss 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 December 31, 2021 and 2020, the gearing ratio of the Group is 26.30% and 37.20% respectively.

3. Financial risk management (Continued)

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2021 and 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2021 and 2020.

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

As of December 31, 2020	*Note*	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets:					
Financial assets at fair value through profit or loss	21	105,872	—	374,769	480,641
Liabilities:					
Convertible bonds classified as financial liabilities at fair value through profit or loss	31	—	—	206,308	206,308

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.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) ***Fair value hierarchy*** (Continued)

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.

(b) Valuation techniques to determine fair value

Specific valuation techniques used to value financial instruments include:

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

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 financial instruments for the year ended December 31, 2021 and 2020:

	Financial assets		Financial liabilities	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At the beginning of the year	**374,769**	307,023	**206,308**	—
Additions	**126,012**	107,003	**—**	204,552
Disposals	**(45,126)**	(10,484)	**—**	—
Changes in fair value recognized in profit or loss	**4,776**	(25,704)	**85,662**	20,879
Coupon interests paid	**—**	—	**(2,588)**	(4,894)
Converted to ordinary shares of the Company	**—**	—	**(287,968)**	—
Currency translation differences	**(2,924)**	(3,069)	**(1,414)**	(14,229)
At the end of the year	**457,507**	374,769	**—**	206,308
Changes in unrealized gains/losses for the year included in profit or loss at the end of the year	**4,776**	(25,704)	**—**	20,879

There were no transfers between levels 1, 2 and 3 during the year ended December 31, 2021 and 2020.

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

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

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

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

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

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

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

Key unobservable inputs	Range of inputs at December 31, 2020	Change	Fair value change as of December 31, 2020 *RMB'000*
WACC	18.40%–24.40%	+5.00%	(3,935)
	18.40%–24.40%	-5.00%	3,653
Terminal growth rate	3.00%	+5.00%	276
	3.00%	-5.00%	(266)
Price-to-sale ratio	1.73–6.55	+5.00%	368
	1.73–6.55	-5.00%	(367)

Convertible bonds classified as financial liabilities at fair value through profit or loss issued by the Group are not traded in active market, and its fair value is determined by using valuation techniques. The Group determines the fair value of convertible bonds by using binomial model and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of convertible bonds classified as financial liabilities at fair value through profit or loss at December 31, 2020.

Key unobservable inputs	Range of inputs at December 31, 2020	Change	Fair value change as of December 31, 2020 *RMB'000*
Dividend yield	0.00%	+5.00%	(5,243)
Volatility	40.24%	+5.00%	908
	40.24%	-5.00%	(1,863)
Risk-free rate	0.11%	+5.00%	3
	0.11%	-5.00%	(3)
Bond yield	17.60%	+5.00%	(1,733)
	17.60%	-5.00%	1,850

4 Critical accounting estimates and judgements

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

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

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

As described in Note 2.27, the Group recognizes the revenues ratably over the estimated average Player Relationship Period for RPG mobile games and certain casual mobile games where the Group acts as Principal. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

(b) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on a semi-annual basis. For the year ended December 31, 2021 and 2020, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets prepared by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated in Note 18. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

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

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

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

4 Critical accounting estimates and judgements (Continued)

(d) Revenue recognition

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

(e) Recoverability of game intellectual properties and licenses

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

(f) Recoverability of prepaid revenue sharing to content providers

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

(g) Income taxes

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

4 Critical accounting estimates and judgements (Continued)

(g) Income taxes (Continued)

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

(h) Expected credit loss for receivables

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

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the CEO, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. During the year ended December 31, 2021, after considering Group's plan to dispose certain subsidiaries in software as a service ("**SaaS**") and other related services segment and develop the experiential retail business, the segment of "SaaS and other related services" is no longer reviewed by the CODM and the segment of experiential retail business is reviewed by the CODM. As a result of this evaluation, the CEO of the Group considered that the Group's operations are operated and managed on below 2 reportable segments and comparative segment information has been restated to align with the presentation of the current period's segment information disclosure.

Game and information services

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

Experiential retail business

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

5 Segment information (Continued)

Experiential retail business (Continued)

The CODM assesses the performance of the operating segments mainly based on segment revenues, cost of revenues, gross profit and segment results. The segment results are calculated as segment gross profit minus operating expenses (including selling and marketing expenses, general and administrative expenses 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 revenue is mainly generated in the PRC.

The segment information and the reconciliation with loss before income tax provided to the Group's CODM for the reportable segments for the year ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		
	Game and information services *RMB'000*	Experiential retail business *RMB'000*	Total *RMB'000*
Revenues	2,601,076	36,561	2,637,637
Cost of revenues	(1,512,157)	(22,139)	(1,534,296)
Gross profit	1,088,919	14,422	1,103,341
Gross margin	41.86%	39.45%	41.83%
Segment results	145,276	(32,223)	113,053
Reconciliation:			
Unallocated operating expenses			(144,393)
Net impairment losses on financial assets and contract assets			(20,580)
Other income			53,296
Other losses, net			(14,449)
Fair value losses on financial assets at fair value through profit or loss			(3,511)
Finance income			64,383
Finance costs			(134,416)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss			(85,662)
Share of results of investments accounted for using the equity method			(8,901)
Loss before income tax			(181,180)

5 Segment information (Continued)

	Year ended December 31, 2020		
	Game and information services *RMB'000*	Experiential retail business *RMB'000*	Total *RMB'000*
Revenues	3,205,632	6,486	3,212,118
Cost of revenues	(1,873,952)	(2,402)	(1,876,354)
Gross profit	1,331,680	4,084	1,335,764
Gross margin	41.54%	62.97%	41.59%
Segment results	494,761	(18,758)	476,003
Reconciliation:			
Unallocated operating expenses			(174,615)
Net impairment losses on financial assets and contract assets			(101,804)
Other income			24,005
Other losses, net			(610,481)
Fair value losses on financial assets at fair value through profit or loss			(14,998)
Finance income			6,691
Finance costs			(147,430)
Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss			(20,879)
Share of results of investments accounted for using the equity method			(10,970)
Loss before income tax			(574,478)

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

6 Revenues

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Game and information services revenues		
Game revenue	**2,297,930**	2,805,562
Information service revenue (a)	**290,426**	385,680
Others	**12,720**	14,390
Experiential retail revenues	**36,561**	6,486
	2,637,637	3,212,118

(a) As disclosed in Note 5, during the year ended December 31, 2021, the CEO no longer reviewed the result of the segment of SaaS and other related services. As a result, the management of the Company classified the SaaS and other related services revenues as information service revenue in 2021 and changed the comparative amounts to conform with the current year presentation.

The timing of revenues recognition by category is as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At a point in time	**811,868**	1,070,482
Over time	**1,825,769**	2,141,636
	2,637,637	3,212,118

There are two kinds of unsatisfied performance obligations as of December 31, 2021 and 2020.

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

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

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

7 Expenses by nature

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Channel costs	**966,559**	1,278,021
Promotion and advertising expenses	**477,141**	312,837
Employee benefit expenses *(Note 10)*	**326,798**	347,636
Revenue share to content providers	**298,100**	323,263
Amortization of intangible assets *(Note 17)*	**207,247**	217,947
Technical and development services fee in relation to game development and others	**123,567**	135,097
Impairment provisions for prepayments *(Note 24)*	**57,492**	70,102
Impairment provisions for intangible assets *(Note 17)*	**49,673**	69,843
Cloud computing, bandwidth and server custody fees	**31,172**	29,168
Professional service fees	**29,576**	43,793
Impairment provisions for financial assets and contract assets	**20,580**	101,804
Cost of goods	**20,445**	1,587
Travelling and entertainment expenses	**18,103**	13,782
Depreciation of right-of-use assets *(Note 15)*	**17,798**	21,067
Depreciation of property, plant and equipment *(Note 14)*	**7,076**	11,105
Short-term rental and utilities expenses	**6,956**	3,078
Auditor's remuneration		
— Audit services	**5,600**	6,080
— Non-audit services	**296**	2,956
Other tax expenses	**4,943**	4,917
Depreciation of investment properties *(Note 16)*	**1,214**	773
Others	**19,221**	17,678
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	**2,689,557**	3,012,534

8 Other income

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants *(a)*	**38,013**	13,820
Additional deduction of value-added tax *(b)*	**13,913**	9,916
Rental income *(Note 16(a))*	**1,361**	247
Interest income from wealth management products	**9**	22
	53,296	24,005

(a) Government grants

	As of January 1, 2021	**Receipt of grants**	**Credited to consolidated statement of comprehensive income during the year**	**As of December 31, 2021**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Government grants related to assets	**3,176**	**—**	**(2,983)**	**193**
Government grants related to costs	**3,154**	**32,150**	**(35,030)**	**274**
	6,330	**32,150**	**(38,013)**	**467**

	As of January 1, 2020	Receipt of grants	Credited to consolidated statement of comprehensive income during the year	As of December 31, 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants related to assets	5,014	—	(1,838)	3,176
Government grants related to costs	6,855	8,281	(11,982)	3,154
	11,869	8,281	(13,820)	6,330

8 Other income (Continued)

(a) Government grants (Continued)

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

(b) Pursuant to the "Announcement on Relevant Policies for Deepening the Value-added Tax Reform" (Cai Shui Haiguan [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in March 2019, certain subsidiaries of the Group are qualified for additional 10% deduction of value-added tax ("**VAT**") from output VAT from April 1, 2019 to December 31, 2021.

9 Other losses, net

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Goodwill impairment *(Note 18)*	**—**	493,680
Impairment of investments in associates *(Note 20(a))*	**20,719**	91,897
(Gains)/losses on disposal of financial assets at fair value through profit or loss	**(1,608)**	20,933
Net losses on disposal of intangible assets	**1,887**	2,358
Net losses on disposal of property, plant and equipment	**4,835**	488
Gains on disposal of investments in associates *(Note 20(a)(ii))*	**(6,526)**	(138)
Gains on disposal of subsidiaries *(Note 20(a)(i))*	**(2,828)**	—
Gains on disposals of right-of-use assets	**(1,916)**	—
Donation	**2,396**	1,070
Others	**(2,510)**	193
Other losses, net	**14,449**	610,481

10 Employee benefit expenses

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Basic wages and salaries	**224,613**	191,358
Bonuses	**34,544**	25,577
Pension costs — defined contribution plans *(a)*	**26,584**	25,263
Share-based compensation expenses *(Note 29)*	**24,894**	89,460
Other social security costs, housing benefits and other employee benefit expenses	**16,163**	15,978
	326,798	347,636

(a) Pension costs — defined contribution plans

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

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

As of December 31, 2021 and 2020, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

10 Employee benefit expenses (Continued)

(b) Directors' and Chief Executive's emoluments

The remuneration of every director and chief executive for the year ended December 31, 2021 is set out below:

Name	Fees	Salaries	Share-based compensation	Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Chen Xiangyu (CEO)	—	1,020	—	41	1,061
Mr. Jeffrey Lyndon Ko	—	1,179	—	27	1,206
Mr. Guan Song	—	996	—	41	1,037
	—	3,195	—	109	3,304
Independent non-executive Directors					
Ms. Yu Bin	200	—	—	—	200
Mr. Zhang Weining	200	—	—	—	200
Mr. Li Xintian	200	—	—	—	200
Mr. Mao Rui (i)	200	—	—	—	200
	800	—	—	—	800
Non-executive Directors					
Mr. Ma Xiaoyi	—	—	—	—	—
Mr. Zhang Han	—	—	—	—	—
Mr. Yao Xiaoguang	—	—	—	—	—
Mr. Chen Yu	—	—	—	—	—
	—	—	—	—	—
Total	800	3,195	—	109	4,104

10 Employee benefit expenses (Continued)

(b) Directors' and Chief Executive's emoluments (Continued)

The remuneration of every director and chief executive for the year ended December 31, 2020 is set out below:

Name	Fees	Salaries	Share-based compensation	Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Chen Xiangyu (CEO)	—	970	—	26	996
Mr. Jeffrey Lyndon Ko	—	1,182	—	21	1,203
Mr. Guan Song	—	950	—	26	976
	—	3,102	—	73	3,175
Independent non-executive Directors					
Ms. Yu Bin	150	—	—	—	150
Mr. Zhang Weining	150	—	—	—	150
Mr. Li Xintian	150	—	—	—	150
Mr. Mao Rui *(i)*	100	—	—	—	100
	550	—	—	—	550
Non-executive Directors					
Mr.Ma Xiaoyi	—	—	—	—	—
Mr.Zhang Han	—	—	—	—	—
Mr.Yao Xiaoguang	—	—	—	—	—
Mr.Chen Yu	—	—	—	—	—
	—	—	—	—	—
Total	550	3,102	—	73	3,725

(i) Mr. Mao Rui was appointed on August 25, 2020.

10 Employee benefit expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the year ended December 31, 2021 and 2020 include zero and one director whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining five individuals (2020: four) during the year are set out below:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**9,825**	3,996
Pension costs — defined contribution plan, other social security costs, housing benefits, and other employee benefits	**282**	161
Share-based compensation expenses	**2,850**	6,914
	12,957	11,071

The emoluments of those individuals fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2021	2020
HKD1,000,001 to HKD1,500,000	**—**	2
HKD2,000,001 to HKD2,500,000	**2**	—
HKD2,500,001 to HKD3,000,000	**1**	—
HKD4,000,001 to HKD4,500,000	**2**	1
HKD6,000,001 to HKD6,500,000	**—**	1
	5	4

11 Finance costs, net

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Finance costs:		
— Interest expense on bank borrowings	**71,038**	82,855
— Exchange losses, net	**—**	49,512
— Interest expense on convertible bonds *(Note 31(b))*	**62,676**	13,240
— Interest expense on lease liabilities *(Note 15(b))*	**2,240**	2,185
— Interest capitalized	**(1,538)**	(362)
	134,416	147,430
Finance income:		
— Interest income on bank deposits	**(5,236)**	(6,691)
— Exchange gains, net	**(59,147)**	—
	(64,383)	(6,691)
Finance costs, net	**70,033**	140,739

12 Income tax credit

The income tax credit of the Group for the year ended December 31, 2021 and 2020 is analyzed as follows:

	Year ended December 31, 2021 RMB'000	2020 RMB'000
Current income tax	**21,751**	17,606
Deferred income tax	**(47,001)**	(27,088)
Income tax credit	**(25,250)**	(9,482)

12 Income tax credit (Continued)

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(181,180)**	(574,478)
Tax calculated at 25%	**(45,295)**	(143,620)
Tax effects of:		
— Preferential income tax rates applicable to subsidiaries on PRC *(c)*	**(5,451)**	(30,635)
— Effects of different tax rate *(a) (b)*	**48,480**	51,541
— Income not subject to tax	**(23)**	(1,213)
— Tax losses for which no deferred income tax asset was recognized	**14,123**	23,524
— Expenses not deductible for income tax purposes	**34**	122,144
— Super deduction for research and development expenses *(c)*	**(37,118)**	(31,223)
Income tax credit	**(25,250)**	(9,482)

(a) Cayman Islands corporate income tax

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

(b) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%.

(c) PRC Enterprise Income Tax ("EIT")

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

Shenzhen iDreamSky was approved as a newly established "Software Enterprise" in June 2013. In 2019, Shenzhen iDreamSky renewed its qualification as a "High and New Technology Enterprise" ("**HNTE**"), and it is subject to a reduced preferential EIT rate of 15% for three-year period from 2019 to 2021 according to the applicable tax preference applicable to the HNTE.

12 Income tax credit (Continued)

(c) PRC Enterprise Income Tax (“EIT”) (Continued)

Qianhai iDream was established in Qianhai, Bonded Zone of Shenzhen in April 2018. From 2018 to 2020, Qianhai iDream was subject to an applicable tax rate of 15%, as it met the requirements set out by local authorities for the preferential tax rate. In 2021, Qianhai iDream acquired the qualification as a HNTE, and it is subject to a reduced preferential EIT rate of 15% for three-year period from 2021 to 2023.

Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. (“**Chuangyi Shikong**”) was established in Qianhai, Bonded Zone of Shenzhen in October 2014 and is subject to an applicable tax rate of 15% in 2021, as it meets the requirements set out by local authorities for the preferential tax rate.

Horgos iDreamSky Information Technology Co., Ltd. (“**Horgos iDreamSky**”) was established in June 2016 in Horgos Development Zone of Xinjiang, where was exempt from EIT from the first year of operation for a five-year period according to the regulations set out by the local authorities. Since Horgos iDreamSky operated in 2016, the tax exemption period commenced from the year of 2016 to 2020 accordingly. Horgos iDreamSky is subject to western development preferential tax rate of 15% from the year of 2021, which is applicable.

Tianjin Huohun Internet Technology Co., Ltd. (“**Tianjin Huohun**”, formerly named Shanghai Huohun Internet Technology Co., Ltd.) acquired the qualification of Software Enterprise in 2019 and is entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from its first profitable year of 2019 according to an announcement released by tax bureau in May 2019.

Tianjin Shengting Information Technology Co., Ltd. (“**Tianjin Shengting**”, formerly named Shanghai Shengting Information Technology Co., Ltd.) acquired the qualification of Software Enterprise in 2018, and was tax exempted from EIT in 2018 and 2019. From 2020 to 2022, Tianjin Shengting is subject to 50% reduction of applicable tax rates, if certain requirements are met. Tianjin Shengting is subject to the tax rate of 25% in 2021.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 50% of their research and development expenses incurred before 2018 and 75% of their research and development expenses incurred from 2018 to 2023 as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits.

12 Income tax credit (Continued)

(d) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

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

13 Losses per share and dividends

(a) Losses per share

(i) Basic

	Year ended December 31,	
	2021	2020
Loss attributable to equity holders of the Company *(RMB'000)*	**(157,478)**	(441,570)
Weighted average number of shares in issue (thousands)	**1,259,699**	1,223,066
Basic losses per share *(RMB)*	**(0.13)**	(0.36)

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 year, excluding ordinary shares purchased by the Group and held as treasury shares (Note 27).

(ii) Diluted

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

As the Group incurred loss for the year ended December 31, 2021 and 2020. The impact of employee incentive plan and convertible bonds was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2021 and 2020 are the same as basic losses per share.

(b) Dividends

The Board has resolved that no dividend shall be declared for the year ended December 31, 2021 (2020: Nil).

14 Property, plant and equipment

	Land and buildings RMB'000	Furniture and office equipment RMB'000	Server and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2020							
Opening net book amount	8,266	4,276	6,741	1,672	10,757	—	31,712
Additions	12	1,153	534	—	4,309	12,138	18,146
Disposals	—	(857)	(181)	—	—	—	(1,038)
Transfer to investment properties	(7,835)	—	—	—	—	—	(7,835)
Depreciation charge	(443)	(1,314)	(2,691)	(593)	(6,064)	—	(11,105)
Closing net book amount	—	3,258	4,403	1,079	9,002	12,138	29,880
At December 31, 2020							
Cost	—	19,156	22,329	3,295	26,610	12,138	83,528
Accumulated depreciation	—	(15,898)	(17,926)	(2,216)	(17,608)	—	(53,648)
Net book amount	—	3,258	4,403	1,079	9,002	12,138	29,880
Year ended December 31, 2021							
Opening net book amount	—	3,258	4,403	1,079	9,002	12,138	29,880
Additions	—	2,378	694	—	9,733	31,797	44,602
Disposals	—	(260)	(407)	—	(4,490)	—	(5,157)
Depreciation charge	—	(1,151)	(2,142)	(574)	(3,209)	—	(7,076)
Closing net book amount	—	4,225	2,548	505	11,036	43,935	62,249
At December 31, 2021							
Cost	—	20,278	21,110	3,295	31,853	43,935	120,471
Accumulated depreciation	—	(16,053)	(18,562)	(2,790)	(20,817)	—	(58,222)
Net book amount	—	4,225	2,548	505	11,036	43,935	62,249

14 Property, plant and equipment (Continued)

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cost of revenues	**1,606**	2,184
General and administrative expenses	**3,252**	4,263
Research and development expenses	**1,586**	2,651
Selling and marketing expenses	**632**	2,007
	7,076	11,105

15 Leases

This Note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the statement of financial position

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**75,326**	24,544
Land use rights	**81,057**	81,471
	156,383	106,015
Lease liabilities		
Non-current	**59,945**	15,782
Current	**19,881**	11,250
	79,826	27,032

Additions to the right-of-use assets during the year ended December 31, 2021 were RMB81,694,000 (2020: RMB90,323,000).

Disposals to the right-of-use assets during the year ended December 31, 2021 were RMB10,604,000 (2020: RMB7,217,000).

15 Leases (Continued)

(b) Amounts recognized in the consolidated statement of comprehensive income or capitalized in the construction in progress

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Buildings	**17,798**	21,067
Land use rights	**2,924**	2,176
	20,722	23,243

During the year ended December 31, 2021, the depreciation of RMB17,798,000 (2020: RMB21,067,000) from buildings was charged as profit or loss and RMB2,924,000 (2020: RMB2,176,000) from land use rights was recognized in construction in progress.

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Interest expense (included in finance costs)	**2,240**	2,185
Expense relating to short-term leases (included in cost of revenues and general and administrative expenses)	**784**	198
	3,024	2,383

(c) Amounts recognized in the consolidated statement of cash flows relating to leases

During the year ended December 31, 2021, the cash outflow about the principal element and interest element of lease payments was RMB16,109,000 and RMB2,240,000 respectively (2020: RMB24,228,000 and RMB2,185,000), the cash outflow about payment for short-term and low-value lease was RMB784,000(2020: RMB198,000).

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

The Group leases various offices and offline stores. Rental contracts are typically made for fixed periods of 1 to 7 years but may have extension options as described in (f) below.

15 Leases (Continued)

(e) Variable lease payments

Some lease contracts contain agreements that monthly payment is determined by the higher of fixed payments or variable payments. Fixed payments are stable in one or two years and increase in next years, while variable payments are calculated by percentage of gross revenue, usually 4% to 20%. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores, or only paying variable lease payments in the several years at the beginning. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

(f) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by the Group.

16 Investment properties

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Opening net book amount	**33,074**	26,012
Transfer from property, plant and equipment	**—**	7,835
Depreciation charge	**(1,214)**	(773)
Closing net book amount	**31,860**	33,074

The investment properties as of December 31, 2021 and 2020 are two buildings respectively located in Hainan Ecology Software Park and Changsha Xincheng Science Park for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales and rental.

The fair value of the investment properties as of December 31, 2021 was RMB41,900,000 (2020: RMB42,100,000).

As of December 31, 2021, there were no investment properties of the Group (2020: RMB7,835,000) pledged to a bank to secure certain bank borrowings of the Group (Note 30).

16 Investment properties (Continued)

(a) Amounts recognized in profit or loss for investment properties

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Rental income from operating leases	**1,361**	247
Direct operating expenses from properties that generates rental income	**(74)**	(8)
	1,287	239

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly or quarterly. To reduce credit risk, the Group sets agreements of rental deposit and liquidated damages in contract in case of tenants' delay in payments or no payments. The Group also sets increasing rental price during term of lease to against the increasing CPI.

For minimum lease payments receivable on leases of investment properties refer to Note 37.

17 Intangible assets

	Game intellectual properties and licenses *RMB'000*	Computer software *RMB'000*	Capitalized development costs for internal use software *RMB'000*	Total *RMB'000*
Year ended December 31, 2020				
Opening net book amount	1,393,068	9,833	16,363	1,419,264
Additions	693,735	8,142	16,051	717,928
Amortization charge *(a)*	(186,267)	(10,562)	(21,118)	(217,947)
Impairment *(b)*	(69,843)	—	—	(69,843)
Disposal	(12,146)	—	—	(12,146)
Currency translation differences	(14,106)	—	—	(14,106)
Closing net book amount	1,804,441	7,413	11,296	1,823,150
At December 31, 2020				
Cost	2,316,387	38,214	77,602	2,432,203
Accumulated amortization	(511,946)	(30,801)	(66,306)	(609,053)
Net book amount	1,804,441	7,413	11,296	1,823,150
Year ended December 31, 2021				
Opening net book amount	**1,804,441**	**7,413**	**11,296**	**1,823,150**
Additions	**171,981**	**493**	**—**	**172,474**
Amortization charge *(a)*	**(191,793)**	**(5,676)**	**(9,778)**	**(207,247)**
Impairment *(b)*	**(49,673)**	**—**	**—**	**(49,673)**
Disposal	**(39,623)**	**(1)**	**—**	**(39,624)**
Currency translation differences	**(4,951)**	**—**	**—**	**(4,951)**
Closing net book amount	**1,690,382**	**2,229**	**1,518**	**1,694,129**
At December 31, 2021				
Cost	**2,394,122**	**38,703**	**77,602**	**2,510,427**
Accumulated amortization	**(703,740)**	**(36,474)**	**(76,084)**	**(816,298)**
Net book amount	**1,690,382**	**2,229**	**1,518**	**1,694,129**

17 Intangible assets (Continued)

(a) Amortization charges for intangible assets

Amortization charges were expensed in the following categories in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cost of revenues	**153,620**	174,623
General and administrative expenses	**46,226**	28,359
Research and development expenses	**4,894**	9,311
Selling and marketing expenses	**2,507**	5,654
	207,247	217,947

(b) Impairment for intangible assets

The impairment for intangible assets mainly represents impairment of game intellectual properties and licenses and is the excess amount of the carrying amount of the game intellectual properties and licenses fees to the game developers over the 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 year ended December 31, 2021, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB49,673,000 (2020: RMB69,843,000) was charged to the consolidated statement of comprehensive income, as the contract for certain games have expired or terminated prior to December 31, 2021 and the Group was not intend to reach the extension agreements with game developers.

(c) As of December 31, 2021 and 2020, the Group's certain game intellectual properties and licenses with net book amounts of RMB286,000 and RMB8,923,000 respectively were pledged to a bank to secure certain bank borrowings of the Group (Note 30).

18 Goodwill

	Goodwill *RMB'000*
Year ended December 31, 2020	
Opening net book amount	566,902
Impairment	(493,680)
Closing net book amount	73,222
Year ended December 31, 2021	
Opening net book amount	**73,222**
Impairment	**—**
Closing net book amount	**73,222**

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

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 value in use calculations as of December 31, 2021 and 2020. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below.

Based on management's assessment on the recoverable amounts of the Tianjin Huohun CGU, the impairment loss of RMB493,680,000 on goodwill was charged to consolidated statement of comprehensive income for the year ended December 31, 2020 (2019: RMB422,331,000).

18 Goodwill (Continued)

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

	As of December 31,	
	2021	2020
Average revenue growth rate during the forecast period	**-6.85%**	-5.34%
Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") margin during the forecast period	**15.29%–74.58%**	41.30%–59.47%
Terminal growth rate	**3.00%**	3.00%
Pre-tax discount rate	**31.28%**	30.15%

(i) Average revenue growth rate

The average revenue growth rate is estimated with reference to the industry growth forecast for the market in which Tianjin Huohun operates. When estimating the revenue growth rate during the forecast period, the management of the Company is of the view that the revenue growth would decrease slightly as compared to that as of December 31, 2020.

(ii) EBITDA margin

The EBITDA margin of the five years ranged between 15.29% and 74.58% (2020: 41.30% — 59.47%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

(iii) Terminal growth rate

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate of 3.00% as of December 31, 2021 and 2020.

(iv) Pre-tax discount rate

The pre-tax discount rate reflects market assessments of the time value and the risks specific to the goodwill for which the future cash flow estimates have not been adjusted. With the assistance of a third-party independent valuer, management assessed that the pre-tax discount rate for the impairment assessment as of December 31, 2021 would be 31.28% that was slightly higher than 30.15% used as of December 31, 2020 because of the increase in company specific risk as a result of worse expected performance against last year forecast, which impose additional uncertainty on the achievement of financial projection, netting off by the impact from the drop in other market factors.

18 Goodwill (Continued)

Based on management's assessment on the recoverable amounts of the Tianjin Huohun CGU, the estimated recoverable amount of the business far exceeded its carrying amount as of December 31, 2021 by approximately RMB12,920,000, thus there is no impairment loss on goodwill charged to consolidated statement of comprehensive income for the year ended December 31, 2021.

In addition, certain sensitive analysis was also prepared by the management of the Company. Had the estimated key assumptions, including revenue growth rate, EBITDA margin, terminal growth rate, pre-tax discount rate, during the forecast period been increased/decreased by 10%, the change of goodwill impairment amount is minimum as of December 31, 2021.

19 Financial instruments by category

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Assets as per consolidated statements of financial position		
Financial assets at fair value through profit or loss *(Note 21)*	**531,466**	480,641
Loans and receivables at amortized cost		
— Trade receivables *(Note 22)*	**781,346**	1,149,331
— Cash and cash equivalents *(Note 25)*	**714,801**	735,567
— Other receivables (excluding prepayments) *(Note 3.1(b)(iv))*	**271,240**	309,163
— Restricted cash *(Note 26)*	**10,246**	52,042
— Amounts due from related parties *(Note 38(c)(i))*	**5,382**	1,657
	2,314,481	2,728,401
Liabilities as per consolidated statements of financial position		
Convertible bonds classified as financial liabilities at fair value through profit or loss *(Note 31(a))*	**—**	206,308
Financial liabilities at amortized cost:		
— Borrowings *(Note 30)*	**1,350,430**	1,553,659
— Convertible bonds *(Note 31(b))*	**401,461**	367,874
— Lease liabilities *(Note 15)*	**79,826**	27,032
— Trade payables *(Note 32)*	**112,500**	227,341
— Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 33)*	**85,214**	203,472
— Amounts due to a related party *(Note 38(c)(iii))*	**—**	14,734
	2,029,431	2,600,420

20 Investments accounted for using the equity method

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Associates *(a)*	**273,834**	274,498
Joint ventures *(b)*	**98,351**	93,076
	372,185	367,574

(a) Investments in associates

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**274,498**	316,888
Additions *(i)*	**35,290**	61,000
Disposal *(ii)*	**(591)**	(229)
Impairment *(iii)*	**(20,719)**	(91,897)
Share of results of the associates	**(13,478)**	(10,133)
Currency translation differences	**(1,166)**	(1,131)
At the end of the year	**273,834**	274,498

The Group directly hold solely ordinary shares of the associates. As of December 31, 2021 and 2020, the Group invested in 22 and 18 associates respectively. The share of results of the associates was not material to the Group. Therefore, in the opinion of the directors, none of the associates is material to the Group.

20 Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(i) Additions

The Group acquired certain associates and made additional investments in existing associates, with an aggregate amount of RMB35,290,000 and RMB61,000,000 during the year ended December 31, 2021 and 2020, respectively. These associates are principally engaged or invested in online game business and other internet-related businesses.

In September 2021, the Group disposed total of 56% equity interests of iDream Legu (Nanjing) Cultural Industry Development Co., Ltd. ("**iDream Legu**") and its subsidiaries. After disposal, the Group's interests in iDream Legu decreased from 90% to 34% and the Group lost control over iDream Legu and its subsidiaries, the investments have been accounted for as associates since then. The Group recognized gain on disposal of subsidiaries of RMB2,828,000 in "Other losses, net" in the consolidated statement of comprehensive income.

Set out below are the top 5 associates of the Group as of December 31, 2021 and 2020.

Name	Place of incorporation/ Establishment	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group December 31, 2021	2020	Principal activities	Carrying amount RMB'000 December 31, 2021	2020
Nanjing Chuangyi Qiaokang Equity Investment Partnership Enterprise (Limited Partnership)	Jiangsu	RMB200,000,000	**49.50%**	49.50%	Financing	**90,550**	57,825
Zhejiang Yiyou Internet Technology Co., Ltd. ("**Zhejiang Yiyou**")	Zhejiang	RMB15,502,377	**19.00%**	19.00%	Software business	**79,450**	84,192
Anhui Sichuang Sports Development Co., Ltd.	Anhui	RMB6,250,000	**22.00%**	22.00%	Culture, sports and entertainment	**35,913**	40,102
Spray (BVI) Limited	Denmark	USD1	**29.07%**	29.07%	Software business	**10,896**	12,053
Hangzhou Shizixing Cultural Creativity Co., Ltd.	Zhejiang	RMB2,972,356	**2.93%**	3.64%	Culture, sports and entertainment	**10,641**	11,763

20 Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(ii) Disposal

During the year ended December 31, 2021, the Group disposed certain investments from existing associates at considerations of RMB7,117,000 (2020: RMB367,000) and recognized disposal gains of RMB6,526,000 (2020: RMB138,000).

(iii) Impairment

During the year ended December 31, 2021, the Group made impairment provisions of RMB20,719,000 (2020: RMB91,897,000) against the carrying amounts of two (2020: two) associates, based on the results of impairment assessment performed on the carrying amount against its respective recoverable amount. The impairment loss mainly resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from existing games and the inability to launch new games due to lack of the licensed copyright.

(b) Investments in joint ventures

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**93,076**	89,820
Additions	**1,000**	5,000
Share of results of the joint ventures	**4,577**	(837)
Currency translation differences	**(302)**	(907)
At the end of the year	**98,351**	93,076

Set out below are the joint ventures of the Group as of December 31, 2021 and 2020. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. The share of profits of the joint ventures was not material to the Group. Therefore, in the opinion of the directors, none of the joint ventures is material to the Group.

20 Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

Name	Place of incorporation/ Establishment	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group December 31, 2021	December 31, 2020	Principal activities	Carrying amount RMB'000 December 31, 2021	December 31, 2020
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Shenzhen	RMB104,000,000	49.50%	49.50%	Venture capital business	63,309	64,593
Dreamwalk Technologies Limited	Hong Kong	HKD13,952,000	30.00%	30.00%	Software business	12,946	13,110
Shenzhen Mengzuofang Technology Co., Ltd. ("**Shenzhen Mengzuofang**")	Shenzhen	RMB1,000,000	29.25%	37.50%	Software business	11,154	5,445
Tianjin Wenmeng Interactive Entertainment Co., Ltd.	Tianjin	RMB10,000,000	50.00%	50.00%	Performance brokerage agency	5,042	5,028
Tianjin Lewei Shidai Culture Development Co., Ltd. ("**Tianjin Lewei Shidai**")	Tianjin	RMB10,000,000	49.00%	49.00%	Film and television program planning	4,900	4,900

There were no contingent liabilities related to the Group's interest in the joint ventures as of December 31, 2021 and 2020.

21 Financial assets at fair value through profit or loss

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Included in non-current assets		
At the beginning of the year	**374,769**	354,320
Additions	**126,012**	107,003
Changes in fair value	**4,776**	(21,935)
Disposal	**(45,126)**	(58,489)
Currency translation differences	**(2,924)**	(6,130)
At the end of the year	**457,507**	374,769
Included in current assets		
At the beginning of the year	**105,872**	114,544
Additions	**2,000**	—
Changes in fair value	**(8,287)**	6,937
Disposal	**(23,539)**	(7,626)
Currency translation differences	**(2,087)**	(7,983)
At the end of the year	**73,959**	105,872

The Group's financial assets at fair value through profit or loss comprised debt securities hold by the Group, shares traded on the HKEX (included in current assets), wealth management products and some investments in unlisted entities mainly operated in the PRC, USA and Korea.

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

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

22 Trade receivables

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Third parties	**852,231**	1,193,377
Related parties *(Note 38(c)(ii))*	**16,202**	53,923
	868,433	1,247,300
Less: provision for impairment	**(87,087)**	(97,969)
	781,346	1,149,331

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**202,698**	461,593
3 months to 1 year	**391,224**	542,880
1 to 2 years	**254,215**	222,792
2 to 3 years	**18,184**	12,559
Over 3 years	**2,112**	7,476
	868,433	1,247,300

22 Trade receivables (Continued)

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the year ended December 31, 2021 and 2020, the expected losses rate for trade receivables are determined according to provision matrix as follows:

	Year ended December 31, 2021			
	Third party distribution channels	**Advertising customers**	**Third-party payment channels and mobile carriers**	**Related parties**
Within 3 months	**1.81%**	**0.27%**	**1.59%**	**1.21%**
3 months to 1 year	**8.09%**	**1.37%**	**7.17%**	**1.70%**
1 to 2 years	**26.02%**	**5.76%**	**35.66%**	**2.38%**
2 to 3 years	**70.25%**	**16.93%**	**70.57%**	**N/A**
Over 3 years	**100.00%**	**100.00%**	**100.00%**	**N/A**

	Year ended December 31, 2020			
	Third party distribution channels	Advertising customers	Third-party payment channels and mobile carriers	Related parties
Within 3 months	1.71%	0.37%	1.17%	1.20%
3 months to 1 year	7.71%	1.87%	5.44%	1.69%
1 to 2 years	26.31%	8.33%	30.88%	N/A
2 to 3 years	63.75%	21.38%	67.32%	N/A
Over 3 years	100.00%	100.00%	100.00%	N/A

22 Trade receivables (Continued)

(b) (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**97,969**	57,194
Provision for impairment	**5,788**	99,885
Receivables written off during the year as uncollectible	**(16,670)**	(59,110)
At the end of the year	**87,087**	97,969

The provisions for impaired receivables have been included in "net impairment losses on financial assets and contract assets" in the consolidated statement of comprehensive income.

(c) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
RMB	**803,990**	1,080,171
USD	**64,443**	167,129
	868,433	1,247,300

(d) As of December 31, 2021 and 2020, the fair values of trade receivables approximate their carrying amounts. The maximum exposure to credit risk at each of the reporting date is the carrying value of the net receivable balance.

(e) As of December 31, 2021 and 2020, trade receivables of RMB12,449,000 and RMB257,102,000 respectively were pledged to secure certain bank facilities granted to the Group (Note 30).

23 Contract assets

When the services rendered by the Group exceed the customers' payment, a contract asset is recognized. The Group has recognized the following revenue-related contract assets in connection with its performance obligation to develop a mobile game and provide respective operation services:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Included in non-current assets		
Contract assets relating to a game development	**793**	4,622
Less: provision for impairment	**(634)**	(3,430)
	159	1,192
Included in current assets		
Contract assets relating to a game development	**44,674**	41,897
Less: provision for impairment	**(44,379)**	(40,917)
	295	980

Movements of provision in contract assets as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**44,347**	41,252
Provision for impairment *(a)*	**666**	3,095
At the end of the year	**45,013**	44,347

(a) In 2021 and 2020, the actual gross revenue of the game is extremely less than previously predicted, the Group's management has re-predicted the gross revenue of the following years and recognized contract assets impairment according to actual and predicted loss.

24 Prepayments and other receivables

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Included in non-current assets		
Non-current portion of loans to third parties *(d)*	**27,127**	117,575
Non-current portion of loans to employees *(a)*	**1,157**	2,687
Prepayment for intangible assets	**3,254**	—
Less: provision for impairment *(e)*	**(386)**	(1,600)
	31,152	118,662
Included in current assets		
Prepaid revenue sharing to content providers *(c)*	**1,083,335**	1,119,504
Prepaid advertising expenses *(b)*	**488,522**	129,595
Current portion of loans to third parties *(d)*	**205,362**	156,488
Prepayment to related parties *(Note 38(c)(v))*	**41,620**	11,518
Recoverable value-added tax	**37,186**	41,035
Rental and other deposits	**8,206**	6,995
Current portion of loans to employees *(a)*	**5,292**	5,562
Others	**68,613**	50,937
Less: provision for impairment *(e)*	**(20,270)**	(14,813)
	1,917,866	1,506,821

As of December 31, 2021 and 2020, there were no significant balances that were 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.

24 Prepayments and other receivables (Continued)

(d) Loans to third parties represent the loans provided to a number of third parties, which were unsecured, interest-free except a loan that was interest-bearing fixed 4.35% per annum. In the opinion of the directors, except for an interest-bearing loan amounting to RMB90,000,000, none of the loans to any single third parties is material to the Group during the year ended December 31, 2021 and 2020.

(e) The provision for impairment comprises the impairment for prepayments and other receivables. The movements in the provision for impairment for other receivables are disclosed in Note 3.1(b).

Movements in the provision for impairment of prepayments as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**9,873**	14,370
Provision for impairment	**57,492**	70,102
Written off during the year	**(57,492)**	(74,599)
At the end of the year	**9,873**	9,873

The impairment provision mainly represents impairment of prepaid revenue sharing to game developers, which is primarily related to certain games licensed by the Group which did not operate well or align with the Group's future strategy. The provision is the excess amount of the carrying amount of the unearned pre-paid revenue sharing to game developers over the 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 year ended December 31, 2021, an impairment provision of RMB57,492,000 was provided for certain games of the Group, among which 15 games have expired prior to December 31, 2021 and the Group was not intend to reach extension agreements with game developers, none of them was considered individually material to the Group.

During the year ended December 31, 2020, an impairment provision of RMB70,102,000 was provided for certain games of the Group, among which 14 games would be expired before May 31, 2021 while the Group is yet to reach extension agreements with game developers in 2020, none of them was considered individually material to the Group.

(f) As of December 31, 2021 and 2020, the carrying amount of other receivables were primarily denominated in RMB and USD and approximated their fair value at each of the reporting date.

25 Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash at bank and on hand	**713,620**	691,185
Due from other financial institutions	**1,181**	44,382
	714,801	735,567

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
RMB	**114,026**	155,065
USD	**7,750**	116,442
HKD	**592,676**	442,615
Others	**349**	21,445
	714,801	735,567

26 Restricted cash

Restricted cash are pledged in the bank accounts as securities, underwriting fee and upfront fee payable for bank borrowings (Note 30(a)).

27 Share capital, share premium and treasury shares

	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Group total RMB'000
Authorised:						
As of December 31, 2021 and 2020	5,000,000,000	500	—	—	—	—
Issued and fully paid:						
As of December 31, 2019	1,269,718,990	127	818	2,541,780	(47)	2,542,551
Shares vested for share incentive scheme *(a, Note 29(c))*	—	—	—	(16)	16	—
Acquisition of treasury shares *(b)*	—	—	—	—	(8,585)	(8,585)
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 *(a, Note 29(c))*	—	—	—	(10)	10	—
Issuance of ordinary shares to the new investors *(c)*	72,280,000	7	46	349,184	—	349,230
Acquisition of treasury shares *(b)*	—	—	—	—	(5,151)	(5,151)
Early convertion of convertible bonds *(Note 31(a))*	49,677,825	5	32	287,936	—	287,968
Cancellation of shares *(b)*	(4,201,200)	—	(3)	(13,733)	13,736	—
As of December 31, 2021	1,387,475,615	139	893	3,165,141	(21)	3,166,013

(a) On May 18, 2018, the Company allotted and issued an aggregate of 8,627,045 shares (86,270,450 shares after share split on December 6, 2018) to the RSUs Holding Entities for employee incentive plan purpose. Of which, 1,272,212 shares (12,722,120 shares after share split on December 6, 2018) were granted to certain equity owners of Shenzhen iDreamSky without vesting conditions as part of the Reorganization, and thus, the remaining 7,354,833 shares (73,548,330 shares after share split on December 6, 2018) represented the treasury shares of the Group as of December 31, 2018. There are 12,709,824 shares and 20,441,306 shares vested during the year ended December 31, 2021 and 2020, the remaining treasury shares of the Group is 26,620,359 and 39,330,183 as of December 31, 2021 and 2020.

(b) During the year ended December 31, 2021, the Group bought back a total of 1,601,200 (2020: 2,600,000) ordinary shares of the Company that listed on the HKEX. The total amount paid to buy back these ordinary shares was HKD6,141,000 (equivalent to RMB5,151,000) (2020: HKD10,201,000 (equivalent to RMB8,585,000)). These whole shares bought back during the Year ended December 31, 2021 and 2020, were cancelled on June 29, 2021, and resulted in the decrease in the Company's share capital and share premium of RMB13,736,000.

(c) On December 13, 2021, an aggregate of 72,280,000 placing shares have been placed to five independent investors at the placing price of HKD5.92 per placing share pursuant to the terms and conditions of the placing agreement dated November 26, 2021.

28 Reserves

	Note	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Total reserves RMB'000
As of January 1, 2020		16,100	79,527	33,525	250,502	379,654
Share-based compensation expenses	29	—	—	—	89,460	89,460
Equity component of convertible bonds issued	31(b)	—	—	—	262,620	262,620
Profit appropriation to statutory reserves	(a)	—	11,161	—	—	11,161
Currency translation differences		—	—	(11,212)	—	(11,212)
As of December 31, 2020		16,100	90,688	22,313	602,582	731,683
As of January 1, 2021		**16,100**	**90,688**	**22,313**	**602,582**	**731,683**
Share-based compensation expenses	29	**—**	**—**	**—**	**24,894**	**24,894**
Profit appropriation to statutory reserves		**—**	**1,089**	**—**	**—**	**1,089**
Transaction with non-controlling interests	43(c)(i)	**—**	**—**	**—**	**(1,190)**	**(1,190)**
Currency translation differences		**—**	**—**	**(11,494)**	**—**	**(11,494)**
As of December 31, 2021		**16,100**	**91,777**	**10,819**	**626,286**	**744,982**

(a) Statutory reserves

In accordance with the Company Law of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

28 Reserves (Continued)

(a) Statutory reserves (Continued)

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

29 Share-based payments

(a) 2014 Share Incentive Plan

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

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

(i) Restricted shares

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

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

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

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

29 Share-based payments (Continued)

(b) 2017 Restricted Shares Scheme

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

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

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

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

(c) 2018 Share Incentive Plan

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

29 Share-based payments (Continued)

(c) 2018 Share Incentive Plan (Continued)

Out of the remaining 2,307,273 shares (23,072,730 shares after share split on December 6, 2018), the vesting schedule for 2,118,854 shares (21,188,540 shares after share split on December 6, 2018) is 1/3 after 8 months from original grant date, and the remaining 2/3 will be vest in 2 equal installments over the next 2 years; and the vesting schedule for 188,419 shares (1,884,190 shares after share split on December 6, 2018) is 48 months and the vesting schedule is 25% after 12 months from original grant date, and the remaining 75% will vest in 3 equal installments over the next 3 years. The Group recorded RMB57,951,000 share-based compensation expense accordingly during the year ended December 31, 2018.

During the year ended December 31, 2019, RSUs Holding Entities granted aggregate of 16,492,066 shares to employees, among which 2,601,251 shares are without vesting conditions. Out of the remaining 13,890,815 shares, the vesting period for 75,362 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 6,855,065 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and the remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,960,388 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB100,301,000 share-based compensation expense accordingly during the year ended December 31, 2019.

During the year ended December 31, 2020, RSUs Holding Entities granted aggregate of 18,566,947 shares to employees, among which 3,647,147 shares are without vesting conditions. Out of the remaining 14,919,800 shares, the vesting period for 112,779 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 24,000 shares is 2 years, and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 8,373,322 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,409,699 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB89,460,000 share-based compensation expense accordingly during the year ended December 31, 2020.

During the year ended December 31 2021, RSU Holding Entities granted aggregate of 8,085,721 shares to employees, among which 4,465,700 shares are without vesting conditions. Out of the remaining 3,620,021 shares, the vesting period for 800,000 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 2,484,021 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 336,000 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next 3 years.

29 Share-based payments (Continued)

(c) 2018 Share Incentive Plan (Continued)

The total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group recorded RMB24,894,000 share-based compensation expense accordingly during 2021 (2020: RMB89,460,000).

Movement in the number of awarded shares for the year ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,	
	2021	2020
At the beginning of the year	**18,749,788**	41,737,885
Granted	**8,085,721**	18,566,947
Vested	**(12,709,824)**	(20,441,306)
Forfeited	**(3,293,942)**	(21,113,738)
At the end of the year	**10,831,743**	18,749,788

30 Borrowings

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Included in non-current liabilities		
Secured bank borrowings *(a)*	**450,719**	—
	450,719	—
Included in current liabilities		
Secured long-term bank borrowings reclassified to current bank borrowings *(a)*	**—**	935,865
Secured bank borrowings *(a)*	**447,500**	421,700
Current portion of long-term bank borrowings, secured *(a)*	**432,211**	152,068
Secured other borrowings	**—**	44,026
Unsecured other borrowings	**20,000**	—
	899,711	1,553,659
	1,350,430	1,553,659

30 Borrowings (Continued)

As of December 31, 2021, the Group's long-term bank borrowings bear weighted average interest rate of 4.52% (2020: 4.54%) per annum, and the short-term bank borrowings bear weighted average interest rate of 4.42% (2020: 5.41%) per annum.

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

	Bank borrowings as of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Secured by		
— the pledge of certain trade receivables of a subsidiary of the Company		
— the deposit of EUR1,692,000		
— the shares of several oversea subsidiaries of the Company		
— the shares of a subsidiary of the Company (i)	**558,930**	725,482
Guaranteed by the Company, and/or certain subsidiaries of the Company	**494,500**	501,700
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	**277,000**	232,000
Guaranteed by a subsidiary of the Company and/or Mr. Chen Xiangyu and his spouse	**—**	50,000
Secured by the pledge of the land and buildings of a subsidiary of the Company and guaranteed by a subsidiary of the Company and an independent third party	**—**	451
	1,330,430	1,509,633

(i) In March 2020, the Company entered into a three-year loan facility agreement with a bank, where a loan facility up to EUR92,000,000 (equivalent to RMB664,212,000) was made available to the Company. As of December 31, 2021, the loan balance of RMB558,930,000 net of transaction cost was borrowed from aforesaid loan facility agreement. Restricted cash of RMB10,246,000 is pledged deposit for this aforesaid loan.

30 Borrowings (Continued)

(b) The maturity of borrowings is as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**899,711**	1,553,659
Between 1 and 2 years	**450,719**	—
	1,350,430	1,553,659

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
RMB	**791,500**	828,177
EUR	**558,930**	725,482
	1,350,430	1,553,659

31 Convertible bonds

(a) Convertible bonds classified as financial liabilities at fair value through profit or loss

On January 3, 2020 ("**Issue Date**"), the Company issued convertible bonds with face value of USD30,000,000 to Poly Platinum Enterprises Limited ("**Poly**") ("**2023 Convertible Bonds**"). The cash proceeds related to the issuance of RMB204,552,000 were received by the Group on January 6, 2020.

The 2023 Convertible Bonds were recognized and measured as financial liabilities at fair value through profit or loss.

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

Pursuant to the subscription agreement, the 2023 Convertible Bonds, at the option of the holder, will be convertible (unless previously redeemed, converted or cancelled) on or after the Issue Date up to the close of business on the date falling ten days prior to the maturity date ("**Conversion Period**") into fully paid ordinary shares with a par value of USD0.0001 each of the Company at an initial conversion price of HKD4.69 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions of the subscription agreement.

31 Convertible bonds (Continued)

(a) Convertible bonds classified as financial liabilities at fair value through profit or loss (Continued)

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

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

On July 16 ("**Conversion Date**"), 2021, in the opinion of the holder, the 2023 Convertible Bonds were fully converted to 49,677,825 fully paid ordinary shares of the Company at a conversion price of HKD4.69 per share. Accordingly, the fair value of the 2023 Convertible Bonds as of the Conversion Date amounting to RMB287,968,000, which is determined by using valuation methodology with the use of unobservable inputs (level 3), was converted into share capital and share premium. During the year, the loss from changes in fair value of 2023 Convertible Bonds was RMB85,662,000 (2020: RMB20,879,000).

Movement of the 2023 Convertible Bonds is set out as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Opening balance	**206,308**	—
Issuance of convertible bonds	**—**	204,552
Fair value loss	**85,662**	20,879
Coupon interests paid	**(2,588)**	(4,894)
Converted to ordinary shares of the Company	**(287,968)**	—
Currency translation differences	**(1,414)**	(14,229)
Closing balance	**—**	206,308

31 Convertible bonds (Continued)

(b) 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 HKD4.99 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:

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

- Equity component, being the conversion option of the 2025 Convertible Bonds, initially recognized at the residual amount after deducting the value of the aforesaid single liability component from the net proceeds at the initial recognition.

31 Convertible bonds (Continued)

(b) Convertible bonds (Continued)

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

	Liability *RMB'000*	Equity *RMB'000*	Total *RMB'000*
As of January 1, 2020	—	—	—
Carrying amount on initial recognition	366,687	271,841	638,528
Interest expenses *(Note 11)*	13,240	—	13,240
Currency translation differences	(12,053)	(9,221)	(21,274)
As of December 31, 2020	367,874	262,620	630,494
As of January 1, 2021	**367,874**	**262,620**	**630,494**
Interest expenses *(Note 11)*	**62,676**	**—**	**62,676**
Coupon interests paid	**(20,205)**	**—**	**(20,205)**
Currency translation differences	**(8,884)**	**—**	**(8,884)**
As of December 31, 2021	**401,461**	**262,620**	**664,081**

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

The 2025 Convertible Bonds are guaranteed by the Company.

As of December 31, 2021, there has been no conversion of the 2025 Convertible Bonds.

32 Trade payables

	As of December 31,	
	2021 ***RMB'000***	2020 *RMB'000*
Third parties	**90,659**	215,267
Related parties *(Note 38(c)(iv))*	**21,841**	12,074
	112,500	227,341

32 Trade payables (Continued)

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

(a) The aging analysis of trade payables based on recognition date is as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**45,047**	109,436
3 months to 1 year	**48,165**	107,788
1 to 2 years	**13,815**	998
2 to 5 years	**5,473**	9,119
	112,500	227,341

(b) The carrying amount of the Group's trade payables is denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
RMB	**100,487**	220,550
USD	**12,013**	6,791
	112,500	227,341

(c) As of December 31, 2021 and 2020, the fair value of trade payables approximated to their carrying amount.

33 Other payables and accruals

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Other payables due to related parties *(Note 38(c)(vi))*	**65,127**	146,010
Payroll and welfare payables	**55,783**	47,308
Other tax payables	**25,534**	30,667
Underwriting fee and upfront fee payable	**—**	18,458
Professional service fee payable	**5,600**	4,800
Advance from business partners	**2,071**	2,154
Interest Payable	**155**	327
Others	**12,261**	31,723
	166,531	281,447

As of December 31, 2021 and 2020, other payables and accruals were denominated in RMB and the fair values of these balances approximated to their carrying amounts.

34 Contract costs and liabilities

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Contract costs:		
Costs to obtain contracts for game publishing	**91,296**	194,462
Contract liabilities:		
Game publishing	**200,696**	321,752
Game development	**47,377**	—
Information service	**2,100**	—
	250,173	321,752

34 Contract costs and liabilities (Continued)

(a) Significant changes in contract costs and liabilities

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortized commissions charged by the Platforms and game developers.

In adopting IFRS 15, the Group recognizes contract costs in relation to commissions charged by the Platforms and game developers, which meet contract acquisition cost criteria when the Group views the game players as its customer and that is incremental cost of acquiring a customer contract. They are capitalized as contract acquisition costs and amortized over the Player Relationship Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognized on any contract costs.

Contract liabilities primarily consist of the unamortized revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

(b) Revenues recognized in relation to contract liabilities

The following table shows the amount of revenues recognized in the consolidated statement of comprehensive income for the respective years relating to contract liabilities brought forward:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenues recognized that was included in the contract liabilities balance at the beginning of the year		
Game publishing	**321,752**	265,459

35 Deferred income tax

(a) Deferred tax assets

The analysis of deferred income tax assets are as follows:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Contract liabilities	**30,104**	48,263
Impairment provisions	**28,141**	29,218
Tax losses	**41,542**	12,275
Intangible assets amortization	**12,181**	10,935
Fair value losses on financial assets at fair value through profit or loss	**6,356**	5,132
Accrued expenses	**22,782**	1,591
Deferred government grants	**101**	278
Total deferred tax assets	**141,207**	107,692
Set-off of deferred tax liabilities	**(15,635)**	(29,121)
Deferred tax assets, net	**125,572**	78,571

35 Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	At December 31, 2019 RMB'000	Recognized in profit or loss RMB'000	At December 31, 2020 RMB'000	Recognized in profit or loss RMB'000	At December 31, 2021 RMB'000
Deferred government grants	155	123	278	(177)	101
Contract liabilities	39,819	8,444	48,263	(18,159)	30,104
Intangible assets amortization	8,612	2,323	10,935	1,246	12,181
Impairment provisions	9,591	19,627	29,218	(1,077)	28,141
Fair value losses on financial assets at fair value through profit or loss	3,762	1,370	5,132	1,224	6,356
Accrued expenses	1,622	(31)	1,591	21,191	22,782
Unused losses carried forward	10,717	1,558	12,275	29,267	41,542
Total	74,278	33,414	107,692	33,515	141,207

(b) Deferred tax liabilities

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
The balance comprises temporary differences attributable to:		
Contract costs	15,635	29,121
Set-off of deferred tax assets	(15,635)	(29,121)
Deferred tax liabilities, net	—	—

35 Deferred income tax (Continued)

(b) Deferred tax liabilities (Continued)

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Contract costs *RMB'000*
At January 1, 2020	22,795
Recognized in profit or loss	6,326
At December 31, 2020	**29,121**
Recognized in profit or loss	**(13,486)**
At December 31, 2021	**15,635**

(c) Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable. As of December 31, 2021 and 2020, the Group did not recognize deferred income tax assets in respect of losses of approximately RMB204,038,000 and RMB152,774,000 respectively. The tax losses as of December 31, 2021 amounting to RMB95,468,000 can be carried forward indefinitely, and the remaining amount of RMB108,569,000 will expire from year 2022 to 2026 (2020: RMB91,968,000, indefinitely; RMB60,806,000, from year 2021 to 2025).

36 Cash generated from operations

(a) Reconciliation of net loss to cash inflow from operating activities:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(155,930)**	(564,996)
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 14)*	**7,076**	11,105
— Depreciation of investment properties *(Note 16)*	**1,214**	773
— Depreciation of right-of-use assets *(Note 15)*	**17,798**	21,067
— Amortization of intangible assets *(Note 17)*	**207,247**	217,947
— Losses on disposals of property, plant and equipment *(Note 9)*	**4,835**	488
— Losses on disposals of intangible assets *(Note 9)*	**1,887**	2,358
— Gains on disposals of right-of-use assets *(Note 9)*	**(1,916)**	—
— Gains on disposal of investments in associates *(Note 9)*	**(6,526)**	(138)
— Impairment provisions for financial assets, contract assets and prepayments *(Note 7)*	**78,072**	171,906
— Impairment provisions for intangible assets *(Note 17)*	**49,673**	69,843
— Impairment provisions for investments in associates *(Note 20(a))*	**20,719**	91,897
— Share-based compensation expenses *(Note 29)*	**24,894**	89,460
— Share of results of investments accounted for using the equity method *(Note 20)*	**8,901**	10,970
— Gains on disposal of subsidiaries *(Note 9)*	**(2,828)**	—
— (Gains)/losses on disposal of financial assets at fair value through profit or loss *(Note 9)*	**(1,608)**	20,933
— Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss *(Note 31)*	**85,662**	20,879
— Goodwill impairment *(Note 9)*	**—**	493,680
— Interest income from wealth management products *(Note 8)*	**(9)**	(22)
— Finance costs *(Note 11)*	**134,416**	97,918
— Exchange (gains)/loss, net *(Note 11)*	**(59,147)**	49,512
— Changes in fair value of financial assets at fair value through profit or loss *(Note 21)*	**3,511**	14,998
— Income tax credit *(Note 12)*	**(25,250)**	(9,482)
Changes in working capital:		
— Increase in receivables	**(86,149)**	(534,087)
— (Decrease)/increase in payables	**(160,982)**	126,496
— Changes in contract costs	**103,166**	(42,495)
— Changes in contract liabilities	**(71,579)**	56,293
— Changes in advance receipt *(Note 33)*	**(83)**	—
— Changes in inventories	**(11,331)**	—
Cash generated from operations	**165,733**	417,303

36 Cash generated from operations (Continued)

(a) Reconciliation of net profit to cash inflow from operating activities (Continued):

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and intangible assets comprise:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net book amount *(Note 14)*	**5,157**	1,038
Losses on disposal of property, plant and equipment *(Note 9)*	**(4,835)**	(488)
Proceeds from disposal of property, plant and equipment	**322**	550
Net book amount *(Note 17)*	**39,624**	12,146
Loss on disposal of intangible assets *(Note 9)*	**(1,887)**	(2,358)
Proceeds from disposal of intangible assets	**21,300**	5,660
Receivables from disposal of intangible assets	**16,437**	4,128

(b) **Net debt reconciliation**

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**714,801**	735,567
Restricted cash	**10,246**	52,042
Convertible bonds	**(401,461)**	(367,874)
Convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	(206,308)
Borrowings — repayable within 1 year	**(899,711)**	(1,553,659)
Borrowings — repayable after 1 year	**(450,719)**	—
Lease liabilities	**(79,826)**	(27,032)
Amounts due to a related party	**—**	(14,734)
Interest payable *(Note 33)*	**(155)**	(327)
Net debt	**(1,106,825)**	(1,382,325)

36 Cash generated from operations (Continued)

(b) Net debt reconciliation (Continued)

	Cash and cash equivalents	Restricted Cash	Convertible bonds	Convertible bonds classified as financial liabilities at fair value through profit or loss	Borrowings-repayable within 1 year	Borrowings-repayable after 1 year	Lease liabilities	Amounts due to a related party	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as of January 1, 2020	532,746	—	—	—	(1,016,291)	(254,148)	(48,925)	(21,159)	(336)	(808,113)
Cash flows										
— Net cash flows	230,909	52,042	(638,528)	(204,552)	(185,726)	(58,806)	22,043	6,425	—	(776,193)
— Interest paid	—	—	—	4,894	—	—	—	—	84,685	89,579
Non-cash movements										
— Convertible bonds-equity component	—	—	262,620	—	—	—	—	—	—	262,620
— Interest expense	—	—	(13,240)	—	—	—	—	—	—	(13,240)
— Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	—	—	—	(20,879)	—	—	—	—	—	(20,879)
— Exchange impacts	(28,088)	—	21,274	14,229	48,104	(86,792)	—	—	—	(31,273)
— Reclassification	—	—	—	—	(399,746)	399,746	—	—	—	—
— Other non-cash movements	—	—	—	—	—	—	(150)	—	(84,676)	(84,826)
Net debt as of December 31, 2020	735,567	52,042	(367,874)	(206,308)	(1,553,659)	—	(27,032)	(14,734)	(327)	(1,382,325)
Net debt as of January 1, 2021	**735,567**	**52,042**	**(367,874)**	**(206,308)**	**(1,553,659)**	**—**	**(27,032)**	**(14,734)**	**(327)**	**(1,382,325)**
Cash flows										
— Net cash flows	**(2,001)**	**(41,796)**	**—**	**—**	**(1,774)**	**141,585**	**16,109**	**2,528**	**—**	**114,651**
— Interest paid	**—**	**—**	**20,205**	**2,588**	**—**	**—**	**—**	**—**	**89,668**	**112,461**
Non-cash movements										
— Interest expense	**—**	**—**	**(62,676)**	**—**	**—**	**—**	**(2,240)**	**—**	**(71,038)**	**(135,954)**
— Fair value change from convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	**—**	**—**	**(85,662)**	**—**	**—**	**—**	**—**	**—**	**(85,662)**
— Early conversion of convertible bonds	**—**	**—**	**—**	**287,968**	**—**	**—**	**—**	**—**	**—**	**287,968**
— New lease	**—**	**—**	**—**	**—**	**—**	**—**	**(79,183)**	**—**	**—**	**(79,183)**
— Exchange impacts	**(18,765)**	**—**	**8,884**	**1,414**	**—**	**63,418**	**—**	**—**	**—**	**54,951**
— Reclassification	**—**	**—**	**—**	**—**	**655,722**	**(655,722)**	**—**	**—**	**—**	**—**
— Other non-cash movements	**—**	**—**	**—**	**—**	**—**	**—**	**12,520**	**12,206**	**(18,458)**	**6,268**
Net debt as of December 31, 2021	**714,801**	**10,246**	**(401,461)**	**—**	**(899,711)**	**(450,719)**	**(79,826)**	**—**	**(155)**	**(1,106,825)**

37 Commitments

(a) Capital commitments

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Intangible assets	**129,960**	321,731
Construction in progress	**161,155**	189,970
	291,115	511,701

(b) Non-cancellable operating lease

The investment properties are leased to tenants under operating leases with rentals payable annually. For details of the leasing arrangements refer to Note 16.

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	**985**	1,326
Later than 1 year and no later than 6 years	**3,957**	3,032
	4,942	4,358

38 Significant related party transactions

(a) Names and relationships with related parties

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

Names of major related parties	Nature of relationship
Tencent and its subsidiaries (collectively "**Tencent Group**")	Shareholder of the Company
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership) ("**Hengqin Chuangmeng Qida**")	Associate of the Group
Zhejiang Yiyou	Associate of the Group
Shanghai Shengxi Network Technology Co., Ltd. ("**Shanghai Shengxi**")	Associate of the Group
Shenzhen Xingfei Culture Co., Ltd. ("**Shenzhen Xingfei**")	Associate of the Group
iDream Legu	Associate of the Group
Enlightenment (Beijing) Culture and Art Industry Co., Ltd. ("**Enlightenment (Beijing)**")	Major shareholder of Associates
Shenzhen Mengzuofang	Joint venture of the Group
Tianjin Lewei Shida	Joint venture of the Group
IDS Partnership01 L.P.	Joint venture of the Group
Mr. Jeffrey Lyndon Ko	Director of the Company

38 Significant related party transactions (Continued)

(b) Significant transactions with related parties

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

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
(i) Provision of services		
Tencent Group	**47,009**	59,279
Enlightenment (Beijing)	**124**	—
	47,133	59,279
(ii) IP cooperation		
Tencent Group	**7,934**	7,282
(iii) Purchases of services		
Tencent Group	**28,488**	26,115
(iv) Revenue share to content providers		
Zhejiang Yiyou	**104,772**	55,630
(v) Licence fees of the QQfamily IPs		
Tencent Group	**1,572**	—

38 Significant related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
(vi) Loans provided to related parties		
Loans to related parties:		
Zhejiang Yiyou	**18,000**	10,000
Hengqin Chuangmeng Qida	**9,475**	—
iDream Legu	**3,700**	—
IDS Partnership 01 L.P.	**226**	—
Shenzhen Mengzuofang	**—**	504
Mr. Jeffrey Lyndon Ko	**—**	258
	31,401	10,762
Repayment received from related parties:		
Zhejiang Yiyou	**18,000**	10,000
Hengqin Chuangmeng Qida	**9,475**	—
Shenzhen Mengzuofang	**84**	—
	27,559	10,000
(vii) Loan from a related party		
Repayment to a related party:		
Hengqin Chuangmeng Qida	**2,528**	6,425
(viii) Proceeds from disposal of investments in an associate to a related party		
Tencent Group	**6,750**	—

38 Significant related party transactions (Continued)

(c) Year end balances with related parties

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
(i) Amounts due from related parties		
iDream Legu	**3,700**	—
Mr. Jeffrey Lyndon Ko	**1,082**	1,104
Shenzhen Mengzuofang	**420**	504
IDS Partnership 01 L.P.	**223**	—
Hengqin Chuangmeng Qida	**70**	70
	5,495	1,678
Less: provision for impairment *(Note 3.1(b)(iii))*	**(113)**	(21)
	5,382	1,657
(ii) Trade receivables due from related parties		
Tencent Group	**16,202**	53,923
(iii) Amounts due to a related party		
Hengqin Chuangmeng Qida	**—**	14,734
(iv) Trade payables due to related parties		
Tencent Group	**21,841**	10,711
Zhejiang Yiyou	**—**	1,363
	21,841	12,074

38 Significant related party transactions (Continued)

(c) Year end balances with related parties (Continued)

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
(v) Prepayments to related parties		
Shenzhen Xingfei	**25,000**	—
Zhejiang Yiyou	**11,588**	10,555
Tencent Group	**5,032**	20
Shanghai Shengxi	**—**	943
	41,620	11,518
(vi) Other payables due to related parties		
Non-controlling shareholders of a subsidiary*	**54,850**	135,850
Hengqin Chuangmeng Qida	**5,000**	5,000
Tianjin Lewei Shidai	**4,900**	4,900
Tencent Group	**259**	260
iDream Legu	**118**	—
	65,127	146,010

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

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

* These balances are the unpaid consideration to the sellers for the acquisition of Tianjin Huohun.

(d) Key management personnel compensations

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**4,918**	5,053
Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	**149**	110
	5,067	5,163

39 Contingencies

The Group did not have any material contingent liabilities as of December 31, 2021 and 2020.

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Director's and chief executive's emoluments are disclosed in Note 10.

(b) Directors' retirement benefits

No retirement benefits were paid to or payable in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended December 31, 2021 and 2020.

(c) Directors' termination benefits

During the reporting period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services subsisted at the end of or at any time during the year ended December 31, 2021 and 2020.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of or at any time during the year ended December 31, 2021 and 2020, except for the transactions disclosed in Note 38.

(f) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended December 31, 2021 and 2020, except for the transactions disclosed in Note 38.

41 Subsequent event

On February 28, 2022, an aggregate of 32,854,730 subscription shares have been allotted and issued to three related parties at the subscription price of HKD5.92 per subscription share pursuant to the terms and conditions of the Brilliant Seed Subscription Agreement, the Tencent Mobility Subscription Agreement, and the Instant Sparkle Subscription Agreement, respectively.

42 Financial position and reserve movement of the Company

(a) Financial position of the Company

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,219,820**	1,279,856
Investments accounted for using the equity method	**1,281**	1,534
Financial assets at fair value through profit or loss	**70,533**	101,006
Intangible assets	**182,128**	186,390
	1,473,762	1,568,786
Current assets		
Amounts due from subsidiaries	**1,991,509**	1,690,716
Amounts due from related parties	**351**	130
Prepayments and other receivables	**173,909**	134,070
Restricted cash	**10,246**	32,042
Cash and cash equivalents	**372,384**	568,951
	2,548,399	2,425,909
Total assets	**4,022,161**	3,994,695
EQUITY		
Equity attributable to owners of the Company		
Share capital, share premium and treasury shares	**3,166,013**	2,533,966
Other reserves	**154,566**	248,052
Accumulated losses	**(320,131)**	(150,821)
Total equity	**3,000,448**	2,631,197
LIABILITIES		
Non-current liabilities		
Borrowings	**430,719**	—
Convertible bonds classified as financial liabilities at fair value through profit or loss	**—**	206,308
Convertible bonds	**401,461**	367,874
	832,180	574,182
Current liabilities		
Borrowings	**128,211**	725,482
Amounts due to subsidiaries	**61,173**	45,158
Other payables and accruals	**149**	18,676
	189,533	789,316
Total liabilities	**1,021,713**	1,363,498
Total equity and liabilities	**4,022,161**	3,994,695

The financial position of the Company was approved by the Board of Directors on March 30, 2022 and was signed on its behalf:

Chen Xiangyu
Director

Guan Song
Director

42 Financial position and reserve movement of the Company (Continued)

(b) Other reserves and accumulated losses movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At January 1, 2020	64,555	(48,746)
Loss for the year	—	(102,075)
Equity component of convertible bonds issued	262,620	—
Currency translation differences	(79,123)	—
At December 31, 2020	248,052	(150,821)
Loss for the year	**—**	**(169,310)**
Currency translation differences	**(93,486)**	**—**
At December 31, 2021	**154,566**	**(320,131)**

43 Subsidiaries and controlled structured entities

The following is a list of principal subsidiaries of the Company as of December 31, 2021:

Company Name	Place of establishment and nature of legal entity	Particulars of issued/ registered capital	Proportion of equity interest held by the Group (%) 2021	2020	Principal activities and place of operation
(a) Directly owned					
iDreamSky Holdings (HK)	Hong Kong	HKD1	**100%**	100%	Investment holding/Hong Kong
Dreambeyond Holdings Limited	Cayman	USD50,000	**100%**	100%	Investment holding/Cayman
(b) Indirectly owned					
Qianhai iDream	The PRC, limited liability company	USD100,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Chuangyi Shikong	The PRC, limited liability company	RMB187,473,000	**100%**	100%	Internet and software technology development and service/The PRC

43 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/ registered capital	Proportion of equity interest held by the Group (%) 2021	2020	Principal activities and place of operation
(b) Indirectly owned (Continued)					
Shenzhen Ledou Gaming Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Changsha Mengju Information Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Baixingsheng Investment Management Co., Ltd.	The PRC, limited liability company	RMB3,000,000	**100%**	100%	Financing/The PRC
Zhuhai Hengqin Hunmeng Investment Enterprise LLP	The PRC, limited liability company	RMB100,000,000	**100%**	100%	Financing/The PRC
Tianjin Huohun	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Internet and software technology development and service/The PRC
Tianjin Shengting	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Internet and software technology development and service/The PRC
iDream Legu *(i)*	The PRC, limited liability company	RMB50,000,000	**34%**	90%	Internet and software technology development and service/The PRC
Changsha Mengju Legu Technology Co., Ltd. *(i)*	The PRC, limited liability company	RMB1,000,000	**32%**	69%	Internet and software technology development and service/The PRC
Nanjing iDream Legu Technology Co., Ltd. *(i)*	The PRC, limited liability company	RMB10,000,000	**34%**	90%	Internet and software technology development and service/The PRC
Dreammaker (HK) Technology Limited	Hong Kong	HKD1,000,000	**100%**	100%	Internet Information Service/Hong Kong
iDreamSky Technology (HK) Limited	Hong Kong	HKD1	**100%**	100%	Internet Information Service/Hong Kong
IDS 01 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 02 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 05 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman

(i) In September 2021, the Group disposed total of 56% equity interests of iDream Legu and its subsidiaries, as described in Note 20(a)(i).

43 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/ registered capital	Proportion of equity interest held by the Group (%) 2021	2020	Principal activities and place of operation
(b) Indirectly owned (Continued)					
IDS 06 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 08 Holdings Limited	Cayman	USD5,000,000	**100%**	100%	Investment holding/Cayman
IDS 11 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 12 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 13 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
iDreamSky Creative Limited	Hong Kong	HKD1	**100%**	100%	Investment holding/Hong Kong
DSKY Venture (Korea)	Korea	WON5,373,040,000	**100%**	100%	Investment holding/Korea
(c) Controlled by the Company pursuant to the Contractual Arrangements					
Shenzhen iDreamSky	The PRC, limited liability company	RMB215,001,755	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Chenhai Star Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Hunan Langshan iDreamSky Cultural Communication Co., Ltd.	The PRC, limited liability company	RMB2,000,000	**100%**	100%	Culture, sports and entertainment/ The PRC
Horgos Ledou Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Hainan iDreamSky Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Horgos iDreamSky	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Mengyutongchuang Technology Enterprise (Limited Partnership)	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Qianhai Juzheng Investment Management Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Financing/The PRC
Shenzhen iDream Huyu Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**51%**	51%	Culture, sports and entertainment/ The PRC

43 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/ registered capital	Proportion of equity interest held by the Group (%) 2021	2020	Principal activities and place of operation
(c) Controlled by the Company pursuant to the Contractual Arrangements (Continued)					
Shenzhen iDreamSky Entertainment Co., Ltd.	The PRC, limited liability company	RMB25,023,567	63%	63%	Culture, sports and entertainment/ The PRC
Shenzhen Mengyu Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	95%	100%	Internet and software technology development and service/The PRC
Nanjing Mengyu Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	63%	63%	Internet and software technology development and service/The PRC
Guangzhou Chuangying Entertainment Enterprise Management Co., Ltd.	The PRC, limited liability company	RMB5,000,000	63%	63%	Culture, sports and entertainment/ The PRC
Guangzhou Mengyu Technology Co., Ltd. ("**Guangzhou Mengyu**") *(i)*	The PRC, limited liability company	RMB3,000,000	63%	32%	Culture, sports and entertainment/ The PRC
Changsha Mengyu Cultural Creativity Co., Ltd.	The PRC, limited liability company	RMB1,000,000	63%	0%	Culture, sports and entertainment/ The PRC
Shenzhen iDream Play Together Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	63%	0%	Culture, sports and entertainment/ The PRC
Changsha Xunhuo Network Technology Co., Ltd. ("**Changcha Xunhuo**") *(i)*	The PRC, limited liability company	RMB1,499,250	51%	0%	Internet and software technology development and service/The PRC

(i) In November 2021, the Group acquired 49% equity interest of Guangzhou Mengyu from non-controlling interests. The difference of RMB501,000 between the consideration and the carrying amount of the non-controlling interests was recognized as reserve.

In July 2021, the Group acquired 18% equity interest of Changsha Xunhuo from non-controlling interests. The difference of RMB689,000 between the consideration and the carrying amount of the non-controlling interests was recognized as reserve.

The directors of the Company considered that the non-controlling interests in respect of the subsidiaries are not material to the Group, and therefore, no summarized financial information of the relevant subsidiaries is presented separately.

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

"AGM"	the annual general meeting of the Company
"ARPG"	action role-playing game
"ARPPU" or "average revenue per paying user"	the average amount of game revenue that the Group generates from each paying user for a particular period refers to the average game revenue for the period divided by the average of the paying users during that period
"Articles of Association"	the amended and restated articles of association of our Company adopted on November 20, 2018 with effect from December 6, 2018, as amended and supplemented from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the independent auditor of the Company
"Board"	the board of Directors
"Brilliant Seed"	Brilliant Seed Limited, a company incorporated in the BVI on January 2, 2018 and wholly-owned by Mr. Chen Xiangyu
"Brilliant Seed Subscription Agreement"	the subscription agreement dated 28 November 2021 entered into between the Company, Mr. Chen Xiang Yu as guarantor and Brilliant Seed in relation to the subscription of the subscription shares by Brilliant Seed at the subscription price
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in the previous Appendix 14 to the Listing Rules
"Chuangyi Shikong"	Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. (前海創意時空科技(深圳)有限公司), a company incorporated in China, and a subsidiary of our Company
"Company", "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
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, our Company, the WFOE, Shenzhen iDreamSky and its registered shareholders
"Director(s)" or "our Director(s)"	the director(s) of the Company
"Group" or "our Group" or "we" or "us"	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Horgos iDreamSky"	Horgos iDreamSky Information Technology Co., Ltd. (霍爾果斯创梦天地信息科技有限公司), a company incorporated in China, and a subsidiary of our Company
"IFRS"	International Financial Reporting Standards
"IPO"	the global offering of the shares of the Company on December 6, 2018 at a price of HK$6.60 per share, the net proceeds of which was approximately HK$776.4 million, after deducting professional fees, underwriting commissions and other related listing expenses
"Instant Sparkle"	Instant Sparkle Limited, a company incorporated in the BVI on January 2, 2018 and wholly-owned by Mr. Lei Junwen
"Instant Sparkle Subscription Agreement"	the subscription agreement dated November 28, 2021 entered into between the Company, Mr. Lei Jun Wen as guarantor and Instant Sparkle in relation to the subscription of the subscription shares by Instant Sparkle at the subscription price
"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

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MMORPG"	massive multiplayer online role-playing game
"MPU(s)" or "monthly paying user(s)"	the number of unique accounts through which a payment is made for the Group's mobile games in a particular month, which includes multiple accounts held by one single user
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries
"Prospectus"	the prospectus of the Company dated November 26, 2018
"QQfamily IP"	certain intellectual property rights owned by Tencent Technology as set out in the QQfamily Cooperation Agreement which are subject to a non-exclusive and non-transferable license granted by Tencent Technology to Shenzhen iDreamSky Entertainment under the agreement
"Reporting Period"	the year ended December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"RPG(s)" or "role-playing game(s)"	games in which users assume the roles of characters in a fictional setting
"RSU Plan"	the restricted share unit plan of our Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Shanghai Pangbuding"	Shanghai Panbuding Internet and Technology Co., Ltd. (上海胖布丁網絡科技有限公司), a company incorporated in the PRC on May 3, 2013, an investee of the Company
"Share(s)"	ordinary share(s) of the Company with nominal value of US$0.0001 each in the share capital of the Company

"Shenzhen iDreamSky"	Shenzhen iDreamSky Technology Co., Ltd. (深圳市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
"Shenzhen iDreamSky Entertainment"	Shenzhen iDreamSky Entertainment Co., Ltd. (深圳市创梦天地娛樂有限公司), a company established in the PRC and a subsidiary of the Company
"Shenzhen Mengyu"	Shenzhen Mengyu Technology Co., Ltd. (深圳市夢域科技有限公司), a company incorporated in China, and a subsidiary of our Company
"Shenzhen Tencent Industry Fund"	Shenzhen Tencent Industrial Fund Co., Ltd. (深圳騰訊產業投資基金有限公司), a PRC subsidiary of Tencent
"Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Tencent"	Tencent Holdings Limited, one of the Company's substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange under stock code 700
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC and a consolidated affiliated entity of Tencent
"Tencent Mobility"	Tencent Mobility Limited, incorporated in Hong Kong, a wholly-owned subsidiary of Tencent
"Tencent Subscription Agreement"	the subscription agreement dated 28 November 2021 entered into between the Company and Tencent Mobility in relation to the subscription of the subscription shares by Tencent Mobility at the subscription price
"Tencent Technology"	Tencent Technology (Shenzhen) Co., Ltd, a company incorporated in China, and a subsidiary of Tencent
"Tencent Group"	Tencent and its subsidiaries

"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
"Tianjin Shengting"	Tianjin Shengting Information Technology Co., Ltd. (天津盛汀信息科技有限公司), a company incorporated in China, and a wholly owned subsidiary of Tianjin Huohun, formerly named Shanghai Shengting Information Technology Co., Ltd, and changed its name to Tianjin Shengting Information Technology Co., Ltd. (天津盛汀信息科技有限公司) in January, 2021
"U.S. dollars" or "US$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"Valuer" or "AVISTA"	Avista Business Consulting (Shanghai) Co., Ltd., an independent valuer engaged by the management
"WFOE"	Shenzhen Qianhai iDream Technology Co., Ltd. (深圳市前海创梦科技有限公司), a wholly-owned foreign enterprise established in the PRC and a subsidiary of our Company
"%"	per cent