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## iDreamSky Technology Holdings Limited

### 创梦天地科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1119)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2023, together with the comparative unaudited figures for the corresponding period in 2022 as below. These interim results for the six months ended June 30, 2023 have been reviewed by the Audit Committee.

### FINANCIAL HIGHLIGHTS

|  | Six months ended June 30, |             |                  |
|--|---------------------------|-------------|------------------|
|  | 2023                      | 2022        | Period-on-period |
|  | RMB'000                   | RMB'000     | %                |
|  | (Unaudited)               | (Unaudited) |                  |
| Revenues                               | <b>1,121,245</b>          | 1,381,472   | (18.8)           |
| Gross profit                           | <b>505,769</b>            | 598,504     | (15.5)           |
| Profit/(loss) before income tax        | <b>41,075</b>             | (223,255)   | Not applicable   |
| Profit/(loss) for the period           | <b>40,590</b>             | (222,000)   | Not applicable   |
| Adjusted profit/(loss) for the period* | <b>201,831</b>            | (51,027)    | Not applicable   |

\* To supplement our unaudited consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit for the period as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit/loss for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, interest expenses on convertible bonds, impairment losses on intangible assets, net impairment losses on financial assets and contract assets, impairment losses on prepayments, losses from discontinued IP derivatives business segment and exchange losses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

*We maintain stable growth in the high-quality games, with Subway Surfers (地鐵跑酷), Gardenscapes (夢幻花園) and Homescapes (夢幻家園) enjoying strong growth momentum, and Glory All Stars (榮耀全明星) remaining a robust performance, and the proportion of revenue from core products has further increased*

In the first half of this year, the proportion of revenue generated by our core high-quality games has further increased. Subway Surfers celebrated its 10th birthday, and the game became trendsetting again on last summer vacation with the summer co-creation activities launched in Fanbook community and maintained steady growth thereafter. The Subway Surfers team has always adhered to the design concept of “creating a fun game that will accompany users for life”. In order to provide users with high-quality content experiences of reliving classics and arousing emotional resonance, we have made dream collaborations with classic IPs such as Ultraman, Detective Conan, and Plants vs. Zombies 2, which have been highly praised by users. Through 10 years of accumulation and exploration, we are dedicated to building Subway Surfers into a “casual competitive” game that integrates casual attributes, competitive attributes and social attributes. Based on the successful experience of prop match, we will continue to work at the field of “casual competition”, and in the coming future, we will launch “dual meet”, “skill training field”, “chaotic battle”, and other gameplays to improve the social and competitive attributes of the game, so as to further improve user stickiness. Meanwhile, the official competitions of Subway Surfers are also in full swing, and we will continue to expand the scale and influence of the competitions, building a leading brand of Casual Esports.

For the Gardenscapes and Homescapes, we maintained frequent and close communication with core users through Fanbook, enabling a clearer product iteration and promoting the contents to accurately match the target users. In the first half of this year, we launched high-quality contents such as “Chinese mythology about peach of immortality” and “cat farm”, which can further meet the deeper emotional experience demands of female users, and the DAUs, paying users and paying ratio hit new highs. During the summer vacation of this year, after the launch of Jiangnan ancient theme version of Gardenscapes, the DAUs and paying users achieved counter-trend growth period on period.

For Glory All Stars, we maintained close interaction with core users to iterate the game properly and continued to introduce new gameplays, including the introduction of the level 70 version, the addition of a new character “Dragon Soul Warrior”, and the dark area maze raid with innovative dynamic difficulty adjustment system. As a game about to celebrate its 2nd anniversary, Glory All Stars not only features rich contents in-game, but also focuses on the maintenance of the community ecology out-of-game. With the Fanbook community serving as a high-frequency touchpoint out of the game for players, we greatly enrich the forms of community activities by integrating and applying artificial intelligence (“AI”) and provided users with more intelligent and convenient services, thereby enhancing their interactive experience and sense of community belonging. The first half of this year saw a significant increase in time spending both in-game and out-of-game. At the same time, in response to the version updates, we launched a series of discount activities in the community to promote users to make the first payment and develop the habit of continuous consumption in the Fanbook mall, which effectively improved the profitability of the product and operating cash flow, and once again realized the steady improvement of the income quality.

Based on years of experience in the operation of high-quality games, iDreamSky has chosen a pragmatic development route to achieve a longer lifetime of products. We will continue to deeply engage with users, create blockbuster products with a longer lifetime, and improve their operational performance.

***Fanbook: working with the users in R&D, promoting growth through reputations among communities and embracing AI to improve efficiency***

Fanbook, having been independently developed and refined by iDreamSky for three years, is a channel-based community user management tool that can effectively solve community operation problems. By supporting efficient server establishment, effective user growth, and accurate operation, Fanbook enables brands to manage and operate their users efficiently, increase the paying ratio and promote the users’ lifetime value (LTV), and ultimately create brands’ own growth flywheel of user community.

Fanbook is now able to support the operation of tens of millions of users. In the past three years, in addition to our own game products, we have also been honored to work with many industry partners in research and practice, and explore a feasible way of “driving product growth with user communities”.

In addition, more generative AI capabilities are gradually being implemented on Fanbook, mainly in the context of improving community operation efficiency and assisting users in content generation, which plays a positive role in improving operational efficiency, enhancing player activity and enriching community content.

### ***Reducing costs and improving efficiency, being focused and pragmatic***

The total revenue of the Company for the 2023 interim period decreased as compared with the corresponding period of last year, mainly because we further terminated the non-core gaming business and divested the IP derivatives business. We continued to focus on our core gaming business and achieved steady growth in revenue from those core games. At the same time, we continued to deepen user operation with Fanbook, leading to increased revenue from our own channels, improved gross margin and revenue quality. The continuous cost reduction and efficiency increase initiatives implemented by the Company have led to a decrease in administrative and operating costs. We will continue to implement the concept of reducing costs and increasing efficiency into all aspects of the organization, promote the substantial improvement in profitability and operating cash flow, and pursue the maximization of long-term free cash flow.

### ***Steady growth of operating cash flow***

During the interim period of 2023, the net cash generated from operating activities in our consolidated statements was RMB246 million, representing a substantial increase over RMB2.44 million in the same period last year, mainly due to our focus on the revenue quality and operating cash flow. The existing core gaming business is growing steadily, and new game products are also being launched one after another. Our profitability and cash-generation capability are strong.

Overall, since 2023, our main focus has been on further divesting non-core businesses and continuously increase the revenue of core businesses, thereby improving the quality of our revenue, which has long-term significance.

### **Business Outlook**

Looking forward to 2023, we will actively embrace the spring of the industry, and the self-developed games will usher in a harvest period to drive new growth.

In the first half of the year, we continued to drive growth in high-quality games by quality content and digital operations. After years of investment, the self-developed products will achieve bigger breakthrough this year.

As our first self-developed anime-style competitive shooting game, Calabiyau (卡拉彼丘) has quickly go viral in field of anime games and shooting games, thanks to its unique “stringed” gameplay and high-quality anime character designs. In the recent two open beta tests of “Boson” and “Superstring”, the game achieved excellent results with acquisition of a million new users, with important indicators such as daily average online time and user retention ratio exceeding expectations. At present, the game has officially entered the closed beta testing phase, and we are constantly introducing new gameplays, maps, characters and commercial contents to bring more excellent interactive entertainment experience to users.

Ni No Kuni: Cross Worlds (二之國:交錯世界) has obtained its publishing license in December 2022. It is a Ghibli style of Isekai fantasy adventure RPG mobile game, with top-notch stylized audio and visual quality. At present, the domestic version is under the joint development of iDreamSky and Tencent, with many exclusive contents for domestic users added. The game is close to completion, and it is expected that the paid test will be launched in the third quarter of this year.

Delta Force: Hawk Ops (三角洲行動) has obtained its publishing license in July 2023. It is a multi-play first-person tactical shooting game based on special operatives/teams, jointly developed by iDreamSky and Tencent. It will be released exclusively by Tencent in Mainland China and will be launched in due course.

## REVENUES

Revenue for the six months ended June 30, 2023 decreased by 18.8% to approximately RMB1,121.2 million (for the six months ended June 30, 2022: RMB1,381.5 million). Among them, revenue from games, information services, IP derivatives business (discontinued operation) and others accounted for 95.0%, 3.6%, 1.0% and 0.4% (for the six months ended June 30, 2022: 93.0%, 3.5%, 3.0% and 0.5%) of the Group's total revenue, respectively.

|   | Six months ended June 30, |                     |                         |                     |
|---|---------------------------|---------------------|-------------------------|---------------------|
|   | 2023                      |                     | 2022                    |                     |
|   | <i>RMB'000</i>            | <i>%</i>            | <i>RMB'000</i>          | <i>%</i>            |
|   | (Unaudited)               | (Unaudited)         | (Unaudited)             | (Unaudited)         |
| Game revenue  | <b>1,065,088</b>          | <b>95.0</b>         | 1,284,430               | 93.0                |
| Information service revenue                                 | <b>40,516</b>             | <b>3.6</b>          | 48,016                  | 3.5                 |
| IP derivatives business revenue<br>(discontinued operation) | <b>11,434</b>             | <b>1.0</b>          | 41,891                  | 3.0                 |
| Other revenue   | <b>4,207</b>              | <b>0.4</b>          | 7,135                   | 0.5                 |
|   | <b><u>1,121,245</u></b>   | <b><u>100.0</u></b> | <b><u>1,381,472</u></b> | <b><u>100.0</u></b> |

### Game Revenue

We derive a substantial portion of our revenue from our games. Games businesses contributed 95.0% and 93.0% of our revenue for the six months ended June 30, 2023 and 2022, respectively. Game revenue decreased from RMB1,284.4 million for the six months ended June 30, 2022 to RMB1,065.1 million for the six months ended June 30, 2023. The decrease in game revenue was mainly due to our focus on key high-quality games and the further reduction of operation of non-core games, which lead to the decrease in operating revenue from non-core games. However, the revenue from core operating games increased steadily.

Since the launch of the self-developed game Glory All Stars, it has continued to perform well in terms of various operating indicators and gross billing data, and has been maintaining strong growth potential up to now. The 10-year-old Subway Surfers was brought back to its peak and maintained steady growth in the summer co-creation activity taking place in the Fanbook community in the summer holiday of last year; the Gardenscapes and Homescapes maintained frequent and close communication with core users through Fanbook and continued to launch high-quality content to accurately meet the deeper emotional experience demands of female users, therefore, their gross billing increased significantly during the Reporting Period.

### **Information Service Revenue**

Our information service revenue is mainly derived from our advertising business. Revenue from information services decreased from RMB48.0 million for the six months ended June 30, 2022 to RMB40.5 million for the six months ended June 30, 2023. The decrease was mainly due to the Company's active adjustment of strategies to reduce in-app advertising to improve user experience.

### **IP Derivatives Business Revenue (Discontinued Operation)**

In February 2023, the Group has split-off its IP derivatives business, and assigned its independence to operate and develop. For the six months ended June 30, 2023, the Group's revenue from IP derivatives business was RMB11.4 million (for the six months ended June 30, 2022: RMB41.9 million).

### **COST OF REVENUES**

Our cost of revenues decreased by 21.4% from RMB783.0 million for the six months ended June 30, 2022 to RMB615.5 million for the six months ended June 30, 2023.

As a percentage of revenues, our cost of revenues decreased to 54.9% for the six months ended June 30, 2023 from 56.7% for the six months ended June 30, 2022. The decrease was mainly due to the continuous deepening of our user operation through Fanbook, leading to the increase in revenue from self-owned channels and the decrease in the proportion of games promoted through channels, and thus resulting in a corresponding decrease in channel costs.

### **SELLING AND MARKETING EXPENSES**

Our selling and marketing expenses decreased by 73.0% from RMB426.2 million for the six months ended June 30, 2022 to RMB115.2 million for the six months ended June 30, 2023. As a percentage of revenue, our selling and marketing expenses decreased from 30.9% for the six months ended June 30, 2022 to 10.3% for the six months ended June 30, 2023, primarily due to the significant decrease in marketing expenses as a result of our continuous improvement in customer acquisition efficiency and refined operation since 2023.



## **GENERAL AND ADMINISTRATIVE EXPENSES**

Our general and administrative expenses decreased by 51.0% from RMB87.6 million for the six months ended June 30, 2022 to RMB42.9 million for the six months ended June 30, 2023. As a percentage of revenue, our general and administrative expenses decreased from 6.3% for the six months ended June 30, 2022 to 3.8% for the six months ended June 30, 2023, as we continued to optimise the internal business structure of the Group, increased the focus of front-end business, and at the same time improved the organisational management efficiency to achieve cost reduction and efficiency improvement scientifically.

## **RESEARCH AND DEVELOPMENT EXPENSES**

Our research and development expenses decreased by 23.2% from RMB184.4 million for the six months ended June 30, 2022 to RMB141.6 million for the six months ended June 30, 2023. As a percentage of revenue, our research and development expenses decreased from 13.3% for the six months ended June 30, 2022 to 12.6% for the six months ended June 30, 2023. The decrease in research and development expenses was mainly due to the fact that we focused on the development of key projects since the second half of 2022 and sealed up some ongoing projects.

## **NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS**

We recorded net impairment losses on financial assets and contract assets of RMB68.5 million and RMB46.2 million for the six months ended June 30, 2023 and 2022, respectively.

## **FINANCE COSTS, NET**

Our net finance costs increased by 52.3% from RMB72.7 million for the six months ended June 30, 2022 to RMB110.7 million for the six months ended June 30, 2023. The main reason for the increase in net finance costs was that we incurred a foreign exchange loss of RMB33.9 million for the six months ended June 30, 2023, as compared to a foreign exchange loss of RMB11.8 million for the six months ended June 30, 2022.

## **INCOME TAX EXPENSES/CREDIT**

We recorded an income tax expense of RMB0.5 million for the six months ended June 30, 2023, compared to an income tax credit of RMB1.3 million for the six months ended June 30, 2022.

## PROFIT/LOSS FOR THE PERIOD

We recorded the profit for the period of RMB40.6 million and the loss for the period of RMB222.0 million for the six months ended June 30, 2023 and 2022, respectively.

## OTHER FINANCIAL INFORMATION

|  | Six months ended June 30, |             |
|--|---------------------------|-------------|
|  | 2023                      | 2022        |
|  | RMB'000                   | RMB'000     |
|  | (Unaudited)               | (Unaudited) |
| Adjusted profit/(loss) for the period <sup>(1)</sup> | 201,831                   | (51,027)    |
| EBITDA <sup>(2)</sup>                                | 154,745                   | (36,513)    |
| Adjusted EBITDA <sup>(3)</sup>                       | 275,312                   | 100,606     |

Notes:

- (1) To supplement our unaudited consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit for the period as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit/loss for the period was derived from our profit/loss for the period excluding share-based compensation expenses, fair value gains or losses on financial assets, interest expenses on convertible bonds, impairment losses on intangible assets, net impairment losses on financial assets and contract assets, impairment losses on prepayments, losses from discontinued IP derivatives business segment and exchange losses. The adjusted profit for the six months ended June 30, 2022 was restated and adjusted to remain comparable for the same period.
- (2) EBITDA is net income or loss before interest expense, income tax expense/credit, depreciation and amortization.
- (3) Adjusted EBITDA is calculated using profit/loss for the period, adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets, income tax expense/credit and interest expense.

## Non-International Financial Reporting Standards Financial Measures

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



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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

|   | <b>Six months ended June 30,</b> |                        |
|---|----------------------------------|------------------------|
|   | <b>2023</b>                      | <b>2022</b>            |
|   | <b>RMB'000</b>                   | <b>RMB'000</b>         |
|   | <b>(Unaudited)</b>               | <b>(Unaudited)</b>     |
| <b>Reconciliation of profit/(loss) for the period to adjusted profit/(loss) for the period:</b> |                                  |                        |
| <b>Profit/(loss) for the period</b>   | <b>40,590</b>                    | <b>(222,000)</b>       |
| Add: Fair value (gains)/losses on financial assets at fair value through profit or loss         | <b>(1,067)</b>                   | 19,420                 |
| Add: Share-based compensation expenses  | <b>2,395</b>                     | 11,689                 |
| Add: Impairment losses on contract assets   | <b>—</b>                         | 115                    |
| Add: Interest expenses on convertible bonds   | <b>40,674</b>                    | 33,854                 |
| Add: Impairment loss on intangible assets   | <b>920</b>                       | 27,238                 |
| Add: Net impairment losses on financial assets  | <b>68,518</b>                    | 46,188                 |
| Add: Impairment loss on prepayments   | <b>1,215</b>                     | 20,623                 |
| Add: Loss from discontinued operation<br>(the IP derivatives business)                          | <b>14,667</b>                    | —                      |
| Add: Exchange losses  | <b>33,919</b>                    | 11,846                 |
|   | <hr/>                            | <hr/>                  |
| <b>Adjusted profit/(loss) for the period</b>  | <b><u>201,831</u></b>            | <b><u>(51,027)</u></b> |

|   | <b>Six months ended June 30,</b> |                       |
|---|----------------------------------|-----------------------|
|   | <b>2023</b>                      | <b>2022</b>           |
|   | <b>RMB'000</b>                   | <b>RMB'000</b>        |
|   | <b>(Unaudited)</b>               | <b>(Unaudited)</b>    |
| <b>Reconciliation of profit/(loss) for the period to EBITDA and adjusted EBITDA:</b>              |                                  |                       |
| <b>Profit/(loss) for the period</b>   | <b>40,590</b>                    | <b>(222,000)</b>      |
| Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets | <b>12,038</b>                    | 17,999                |
| Add: Amortization of intangible assets  | <b>21,986</b>                    | 103,692               |
| Add: Income tax expense/(credit)  | <b>485</b>                       | (1,255)               |
| Add: Interest expense   | <b>79,646</b>                    | 65,051                |
|   | <hr/>                            | <hr/>                 |
| <b>EBITDA</b>   | <b>154,745</b>                   | <b>(36,513)</b>       |
| Add: Fair value (gains)/losses on financial assets at fair value through profit or loss           | <b>(1,067)</b>                   | 19,420                |
| Add: Share-based compensation expenses  | <b>2,395</b>                     | 11,689                |
| Add: Impairment losses on contract assets   | <b>—</b>                         | 115                   |
| Add: Impairment loss on intangible assets   | <b>920</b>                       | 27,238                |
| Add: Net impairment losses on financial assets  | <b>68,518</b>                    | 46,188                |
| Add: Impairment loss on prepayments   | <b>1,215</b>                     | 20,623                |
| Add: Loss from discontinued operation (the IP derivatives business)                               | <b>14,667</b>                    | —                     |
| Add: Exchange losses  | <b>33,919</b>                    | 11,846                |
|   | <hr/>                            | <hr/>                 |
| <b>Adjusted EBITDA</b>  | <b><u>275,312</u></b>            | <b><u>100,606</u></b> |

## LIQUIDITY AND FINANCIAL RESOURCES

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

As of June 30, 2023, the Group's total cash and cash equivalents increased by 110.2% to approximately RMB190.2 million from approximately RMB90.5 million as of December 31, 2022. Our cash and cash equivalents were primarily denominated in RMB, HKD, EUR and USD.

As of June 30, 2023, the Group's total borrowings amounted to approximately RMB1,027.0 million (December 31, 2022: RMB1,011.2 million). The nature of the Group's borrowings is summarized as follows:

|                          | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | <b>As of<br/>December 31,<br/>2022<br/>RMB'000<br/>(Audited)</b> |
|--------------------------|--|--|
| Secured bank borrowings  | <b>1,017,010</b>   | 991,241  |
| Secured other borrowings | <b>10,000</b>  | 20,000   |
|                          | <b><u>1,027,010</u></b>  | <b><u>1,011,241</u></b>  |

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

|     | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | <b>As of<br/>December 31,<br/>2022<br/>RMB'000<br/>(Audited)</b> |
|-----|--|--|
| RMB | <b>711,926</b>   | 568,400  |
| EUR | <b>315,084</b>   | 442,841  |
|     | <b><u>1,027,010</u></b>  | <b><u>1,011,241</u></b>  |

As of June 30, 2023, the current assets of the Group amounted to approximately RMB2,061.3 million, and the current liabilities of the Group amounted to approximately RMB1,899.0 million. As of June 30, 2023, the current ratio (calculated by dividing the current assets by the current liabilities) of the Group was 1.09 as compared with 0.87 as of December 31, 2022.

Debt ratio is calculated based on our total liabilities as at the respective date divided by our total assets as at the same date. As of June 30, 2023, the debt ratio of the Group was 54.8% as compared with 58.5% as of December 31, 2022.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, interest payable and lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as “equity” as shown in the consolidated statement of financial position. As of June 30, 2023 and December 31, 2022, the Group’s gearing ratio was 71.2% and 80.5%, respectively.

## **PLEDGE OF ASSETS**

Among the total borrowings of the Group as of June 30, 2023, approximately RMB747.0 million (December 31, 2022: RMB751.2 million) were secured by the Group’s certain trade receivables, certain game intellectual properties and certain deposits, which accounted for approximately 72.7% (December 31, 2022: 74.3%) of the Group’s total borrowings.

## **CONTINGENT LIABILITIES**

As of June 30, 2023, the Group did not have any unrecorded significant contingent liabilities or guarantees made by us (December 31, 2022: nil).

## **CAPITAL EXPENDITURE**

For the six months ended June 30, 2023, our total capital expenditure was approximately RMB80.6 million, as compared to RMB108.3 million for the six months ended June 30, 2022. Our capital expenditure primarily included expenditures for license fees paid to game developers, construction in progress and purchase of property, plant and equipment. We plan to fund our capital expenditures through our operating cash flow, debt financing and equity financing. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

## **MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS**

For the six months ended June 30, 2023, the Group did not have any material acquisitions, disposals or significant investments.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

We did not hedge against any fluctuations in foreign currency during the six months ended June 30, 2023 and 2022.

## **EMPLOYEES AND THEIR REMUNERATION POLICIES, RETIREMENT PLANS AND TRAINING PROGRAMS**

As at June 30, 2023 and December 31, 2022, we had 762 and 1,048 full-time employees, respectively. Substantially all of our employees are from the PRC, and a small number of employees are located in Hong Kong.

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

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

During the six months ended June 30, 2023 and the year ended December 31, 2022, no forfeited contributions were used to offset employers’ contributions and forfeited contributions were available to reduce the contributions payable in the future years.

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

|  |             | <b>Six months ended June 30,</b> |                    |
|--|-------------|----------------------------------|--------------------|
|  |             | <b>2023</b>                      | <b>2022</b>        |
|  | <i>Note</i> | <i>RMB'000</i>                   | <i>RMB'000</i>     |
|  |             | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| Revenues   | 5           | <b>1,121,245</b>                 | 1,381,472          |
| Cost of revenues   | 6           | <b>(615,476)</b>                 | (782,968)          |
| <b>Gross profit</b>  |             | <b>505,769</b>                   | 598,504            |
| Selling and marketing expenses   | 6           | <b>(115,248)</b>                 | (426,229)          |
| General and administrative expenses  | 6           | <b>(42,911)</b>                  | (87,616)           |
| Research and development expenses  | 6           | <b>(141,603)</b>                 | (184,379)          |
| Impairment losses on intangible assets   | 6           | <b>(920)</b>                     | (27,238)           |
| Net impairment losses on financial assets and contract assets                      |             | <b>(68,518)</b>                  | (46,188)           |
| Other income   | 7           | <b>20,272</b>                    | 18,634             |
| Other (losses)/gains, net  | 7           | <b>(3,967)</b>                   | 23,440             |
| Fair value gains/(losses) on financial assets at fair value through profit or loss |             | <b>1,067</b>                     | (19,420)           |
| <b>Operating profit/(loss)</b>   |             | <b>153,941</b>                   | (150,492)          |
| Finance income   |             | <b>2,884</b>                     | 4,182              |
| Finance costs  |             | <b>(113,565)</b>                 | (76,897)           |
| Finance costs, net   |             | <b>(110,681)</b>                 | (72,715)           |
| Share of results of investments accounted for using the equity method              |             | <b>(2,185)</b>                   | (48)               |
| <b>Profit/(loss) before income tax</b>   |             | <b>41,075</b>                    | (223,255)          |
| Income tax (expense)/credit  | 8           | <b>(485)</b>                     | 1,255              |
| <b>Profit/(loss) for the period</b>  |             | <b>40,590</b>                    | (222,000)          |

|   |             | <b>Six months ended June 30,</b> |                    |
|---|-------------|----------------------------------|--------------------|
|   |             | <b>2023</b>                      | <b>2022</b>        |
|   | <i>Note</i> | <b>RMB'000</b>                   | <b>RMB'000</b>     |
|   |             | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| <b>Other comprehensive income/(loss)</b>                  |             |                                  |                    |
| Items that will not be reclassified to profit or loss     |             |                                  |                    |
| — <i>Currency translation differences</i>                 |             | <b>129,242</b>                   | 183,875            |
| Items that may be reclassified to profit or loss          |             |                                  |                    |
| — <i>Currency translation differences</i>                 |             | <u><b>(110,170)</b></u>          | <u>(141,149)</u>   |
| <b>Total comprehensive income/(loss) for the period</b>   |             | <u><b>59,662</b></u>             | <u>(179,274)</u>   |
| <b>Profit/(loss) for the period attributable to:</b>      |             |                                  |                    |
| — Equity holders of the Company                           |             | <b>40,712</b>                    | (203,305)          |
| — Non-controlling interests                               |             | <u><b>(122)</b></u>              | <u>(18,695)</u>    |
|   |             | <u><b>40,590</b></u>             | <u>(222,000)</u>   |
| <b>Total comprehensive income/(loss) attributable to:</b> |             |                                  |                    |
| — Equity holders of the Company                           |             | <b>59,784</b>                    | (160,579)          |
| — Non-controlling interests                               |             | <u><b>(122)</b></u>              | <u>(18,695)</u>    |
|   |             | <u><b>59,662</b></u>             | <u>(179,274)</u>   |
| <b>Earnings/(losses) per share</b>                        |             |                                  |                    |
| — Basic earnings/(losses) per share ( <i>in RMB</i> )     | 9           | <u><b>0.03</b></u>               | <u>(0.15)</u>      |
| — Diluted earnings/(losses) per share ( <i>in RMB</i> )   | 9           | <u><b>0.03</b></u>               | <u>(0.15)</u>      |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

|   |             | As of<br>June 30,<br>2023     | As of<br>December 31,<br>2022 |
|---|-------------|-------------------------------|-------------------------------|
|   | <i>Note</i> | <i>RMB'000</i><br>(Unaudited) | <i>RMB'000</i><br>(Audited)   |
| <b>ASSETS</b>   |             |                               |                               |
| <b>Non-current assets</b>                             |             |                               |                               |
| Property, plant and equipment                         |             | 86,415                        | 107,943                       |
| Intangible assets                                     |             | 998,120                       | 1,004,718                     |
| Investment properties                                 |             | 6,735                         | 6,955                         |
| Right-of-use assets                                   |             | 97,990                        | 185,415                       |
| Investments accounted for using the equity method     |             | 343,619                       | 347,461                       |
| Financial assets at fair value through profit or loss |             | 346,623                       | 348,897                       |
| Prepayments and other receivables                     | 11          | 91,942                        | 91,182                        |
| Deferred tax assets                                   |             | 96,075                        | 113,553                       |
|   |             | <u>2,067,519</u>              | <u>2,206,124</u>              |
| <b>Current assets</b>                                 |             |                               |                               |
| Inventories   |             | —                             | 20,688                        |
| Trade receivables                                     | 10          | 561,022                       | 724,932                       |
| Amounts due from related parties                      |             | 111,287                       | 16,418                        |
| Prepayments and other receivables                     | 11          | 997,270                       | 996,668                       |
| Contract costs  |             | 24,424                        | 55,405                        |
| Financial assets at fair value through profit or loss |             | 103,205                       | 125,857                       |
| Restricted cash                                       |             | 73,884                        | 87,099                        |
| Cash and cash equivalents                             |             | 190,211                       | 90,527                        |
|   |             | <u>2,061,303</u>              | <u>2,117,594</u>              |
| <b>Total assets</b>                                   |             | <u><u>4,128,822</u></u>       | <u><u>4,323,718</u></u>       |

|   |    | As of<br>June 30,<br>2023<br>RMB'000<br>(Unaudited) | As of<br>December 31,<br>2022<br>RMB'000<br>(Audited) |
|---|----|---|---|
| <b>EQUITY</b>   |    |   |   |
| <b>Equity attributable to equity holders of the Company</b> |    |   |   |
| Share capital, share premium and treasury shares            |    | 3,291,884   | 3,291,884   |
| Reserves  |    | 845,703   | 800,985   |
| Accumulated losses  |    | <u>(2,455,062)</u>                                  | <u>(2,472,523)</u>                                    |
|   |    | <u>1,682,525</u>                                    | <u>1,620,346</u>                                      |
| <b>Non-controlling interests</b>                            |    | <u>184,113</u>                                      | <u>174,196</u>  |
| <b>Total equity</b>   |    | <u><u>1,866,638</u></u>                             | <u><u>1,794,542</u></u>                               |
| <b>LIABILITIES</b>  |    |   |   |
| <b>Non-current liabilities</b>                              |    |   |   |
| Borrowings  | 13 | 351,347   | —   |
| Lease liabilities   |    | <u>11,829</u>                                       | <u>82,113</u>   |
|   |    | <u>363,176</u>                                      | <u>82,113</u>   |
| <b>Current liabilities</b>                                  |    |   |   |
| Borrowings  | 13 | 675,663   | 1,011,241   |
| Lease liabilities   |    | 11,686  | 34,926  |
| Trade payables  | 14 | 280,769   | 443,498   |
| Other payables and accruals                                 |    | 130,414   | 224,687   |
| Current income tax liabilities                              |    | 41,706  | 41,317  |
| Contract liabilities  |    | 216,992   | 199,133   |
| Convertible bonds   | 12 | <u>541,778</u>                                      | <u>492,261</u>  |
|   |    | <u>1,899,008</u>                                    | <u>2,447,063</u>                                      |
| <b>Total liabilities</b>                                    |    | <u>2,262,184</u>                                    | <u>2,529,176</u>                                      |
| <b>Total equity and liabilities</b>                         |    | <u><u>4,128,822</u></u>                             | <u><u>4,323,718</u></u>                               |

## NOTES:

### 1 General information

iDreamSky Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on January 3, 2018 as an exempted company with limited liability. The address of the Company’s registered office is P.O. Box 309, 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 in the People’s Republic of China (the “**PRC**” or “**China**”).

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

This interim condensed consolidated financial information for the six months ended June 30, 2023 (the “**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated. This Interim Financial Information was approved for issue by the Board of Directors on 30 August 2023.

### 2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim financial reporting”. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2022 (the “**2022 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), as set out in the 2022 annual report of the Company dated 30 March 2023.

### 3 Significant accounting policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the 2022 Financial Statements and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2023. The adoption of these new and revised standards does not have any significant impact on the interim condensed consolidated financial information.

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

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after January 1, 2024 and have not been early adopted by the Group.

|                                  |   | <b>Effective for<br/>annual periods<br/>beginning on or<br/>after</b> |
|----------------------------------|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined  |
| Amendments to IFRS 16            | Lease Liability in a Sale and Leaseback   | January 1, 2024   |
| Amendments to IAS 1              | Classification of Liabilities as Current or Non-current                               | January 1, 2024   |
| Amendments to IAS 1              | Non-current Liabilities with Covenants  | January 1, 2024   |
| Amendments to IFRS 7 and IAS 7   | Supplier Finance Arrangements   | January 1, 2024   |

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



#### 4 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the 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. As a result of this evaluation, the CEO of the Group consider that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

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

#### 5 Revenues

|  | <b>Six months ended June 30,</b> |                         |
|--|----------------------------------|-------------------------|
|  | <b>2023</b>                      | <b>2022</b>             |
|  | <b><i>RMB'000</i></b>            | <b><i>RMB'000</i></b>   |
|  | <b>(Unaudited)</b>               | <b>(Unaudited)</b>      |
| Game revenue   | <b>1,065,088</b>                 | 1,284,430               |
| Information service revenue                              | <b>40,516</b>                    | 48,016                  |
| IP derivatives business revenue (discontinued operation) | <b>11,434</b>                    | 41,891                  |
| Others   | <b>4,207</b>                     | 7,135                   |
|  | <b><u>1,121,245</u></b>          | <b><u>1,381,472</u></b> |

The timing of revenues recognition by category is as follows:

|                    | <b>Six months ended June 30,</b> |                  |
|--------------------|----------------------------------|------------------|
|                    | <b>2023</b>                      | 2022             |
|                    | <i><b>RMB'000</b></i>            | <i>RMB'000</i>   |
|                    | <b>(Unaudited)</b>               | (Unaudited)      |
| At a point in time | <b>685,855</b>                   | 487,650          |
| Over time          | <b>435,390</b>                   | 893,822          |
|                    | <b><u>1,121,245</u></b>          | <u>1,381,472</u> |

There are two kinds of unsatisfied performance obligations as of June 30, 2023 and 2022.

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

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

## 6 Expenses by nature

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

|  | Six months ended June 30, |                  |
|--|---------------------------|------------------|
|  | 2023                      | 2022             |
|  | RMB'000                   | RMB'000          |
|  | (Unaudited)               | (Unaudited)      |
| Channel costs  | 388,063                   | 460,847          |
| Revenue share to content providers   | 164,077                   | 179,011          |
| Employee benefits expenses   | 112,338                   | 201,101          |
| Promotion and advertising expenses   | 98,827                    | 398,210          |
| Technical and development services fee in relation to<br>game development and others   | 54,998                    | 29,101           |
| Cloud computing, bandwidth and server custody fees   | 23,737                    | 15,300           |
| Amortization of intangible assets  | 21,986                    | 103,692          |
| Professional service fees  | 10,068                    | 10,398           |
| Depreciation of right-of-use assets  | 9,440                     | 13,179           |
| Cost of goods  | 7,731                     | 27,027           |
| Travelling and entertainment expenses  | 4,583                     | 4,599            |
| Short-term rental and utilities expenses   | 4,149                     | 2,778            |
| Depreciation of property, plant and equipment  | 2,378                     | 4,213            |
| Impairment losses for prepayments ( <i>Note 11</i> )   | 1,215                     | 20,623           |
| Impairment losses for intangible assets  | 920                       | 27,238           |
| Other tax expenses   | 905                       | 1,269            |
| Depreciation of investment properties  | 220                       | 607              |
| Others   | 10,523                    | 9,237            |
| <b>Total cost of revenues, selling and marketing<br/>expenses, general and administrative expenses,<br/>research and development expenses and<br/>impairment losses on intangible assets</b> | <b>916,158</b>            | <b>1,508,430</b> |

In 2022, the Group adjusted and optimized product layout in the future, focusing on the publication and self-development of high-quality games as core strategic point, and gradually terminated products that were no longer in line with the Group’s game business strategy. Therefore, the Group made an impairment loss on intangible assets prepayment for certain game intellectual properties and licenses. Since the impairment losses are material to the Group in 2022, “Impairment losses on intangible assets” was disclosed separately in consolidated statement of comprehensive income.

During the six months ended June 30, 2023, the Group made an impairment losses on intangible assets of approximately RMB920,000 (during the six months ended June 30, 2022: RMB27,238,000).

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

|   | <b>Six months ended June 30,</b> |                    |
|---|----------------------------------|--------------------|
|   | <b>2023</b>                      | <b>2022</b>        |
|   | <b>RMB’000</b>                   | <b>RMB’000</b>     |
|   | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| <b>Other income</b>   |                                  |                    |
| Government grants   | <b>13,202</b>                    | 8,745              |
| Additional deduction of value-added tax                           | <b>3,767</b>                     | 9,332              |
| Others  | <b>3,303</b>                     | 557                |
|   | <u><b>20,272</b></u>             | <u>18,634</u>      |
| <b>Other (losses)/gains, net</b>                                  |                                  |                    |
| Gains on disposal of a subsidiary                                 | —                                | 22,506             |
| Gains on disposal of investments in associates and joint ventures | <b>640</b>                       | 324                |
| (Losses)/gains on disposal of financial assets                    | <b>(2,297)</b>                   | 300                |
| Others  | <b>(2,310)</b>                   | 310                |
|   | <u><b>(3,967)</b></u>            | <u>23,440</u>      |

## 8 Income tax expense/(credit)

The income tax expense/(credit) of the Group for the six months ended June 30, 2023 and 2022 is analyzed as follows:

|                                    | Six months ended June 30, |                |
|------------------------------------|---------------------------|----------------|
|                                    | 2023                      | 2022           |
|                                    | RMB'000                   | RMB'000        |
|                                    | (Unaudited)               | (Unaudited)    |
| Current income tax                 | 235                       | 49             |
| Deferred income tax                | 250                       | (1,304)        |
| <b>Income tax expense/(credit)</b> | <b>485</b>                | <b>(1,255)</b> |

## 9 Earnings/(losses) per share and dividends

### (a) Earnings/(losses) per share

#### (i) Basic

|   | Six months ended June 30, |             |
|---|---------------------------|-------------|
|   | 2023                      | 2022        |
|   | (Unaudited)               | (Unaudited) |
| Profit/(loss) attributable to equity holders of the Company (RMB'000) | 40,712                    | (203,305)   |
| Weighted average number of shares in issue (thousands)                | 1,392,595                 | 1,382,183   |
| Basic earnings/(losses) per share (in RMB)                            | 0.03                      | (0.15)      |

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

(ii) *Diluted*

|  | <b>Six months ended June 30,</b> |                         |
|--|----------------------------------|-------------------------|
|  | <b>2023</b>                      | <b>2022</b>             |
|  | <b>(Unaudited)</b>               | <b>(Unaudited)</b>      |
| Profit/(loss) attributable to equity holders of the Company <i>(RMB'000)</i>                             | <b>40,712</b>                    | (203,305)               |
| Weighted average number of shares in issue <i>(thousands)</i>  | <b>1,392,595</b>                 | 1,382,183               |
| Adjustments for employee incentive plan and convertible bonds <i>(thousands)</i>                         | <b>170,715</b>                   | 167,714                 |
| Weighted average number of shares for calculating diluted earnings/(losses) per share <i>(thousands)</i> | <b><u>1,563,310</u></b>          | <b><u>1,549,897</u></b> |
| Diluted earnings/(losses) per share <i>(in RMB)*</i>   | <b>0.03</b>                      | (0.13)                  |

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

\* The share incentive plan and convertible bonds were found to have an anti-dilutive effect during the six months ended June 30, 2022, therefore, the actual diluted earnings per share should equal to the basic earnings per share, which amounts to -0.15 per share in RMB.

(b) *Dividends*

The Board resolved that no interim dividend shall be declared for the six months ended June 30, 2023 (during the six months ended June 30, 2022: nil).



## 10 Trade receivables

|                                | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | <b>As of<br/>December 31,<br/>2022<br/>RMB'000<br/>(Audited)</b> |
|--------------------------------|--|--|
| Third parties                  | 724,800  | 842,957  |
| Related parties                | 9,823  | 31,968   |
|                                | <u>734,623</u>   | <u>874,925</u>   |
| Less: provision for impairment | <u>(173,601)</u>   | <u>(149,993)</u>   |
|                                | <u><b>561,022</b></u>  | <u><b>724,932</b></u>  |

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

|                    | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | <b>As of<br/>December 31,<br/>2022<br/>RMB'000<br/>(Audited)</b> |
|--------------------|--|--|
| Within 3 months    | 150,566  | 240,231  |
| 3 months to 1 year | 141,826  | 270,370  |
| 1 to 2 years       | 217,176  | 273,176  |
| 2 to 3 years       | 222,411  | 89,065   |
| Over 3 years       | 2,644  | 2,083  |
|                    | <u>734,623</u>   | <u>874,925</u>   |

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

|  | <b>Six months ended June 30,</b> |                    |
|--|----------------------------------|--------------------|
|  | <b>2023</b>                      | <b>2022</b>        |
|  | <b>RMB'000</b>                   | <b>RMB'000</b>     |
|  | <b>(Unaudited)</b>               | <b>(Unaudited)</b> |
| <b>At the beginning of the period</b>                      | <b>149,993</b>                   | 87,087             |
| Provision for impairment                                   | <b>68,102</b>                    | 38,450             |
| Receivables written off during the period as uncollectible | <b>(44,494)</b>                  | (6,320)            |
|  | <u><b>173,601</b></u>            | <u>119,217</u>     |
| <b>At the end of the period</b>                            | <b>173,601</b>                   | 119,217            |

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

As of June 30, 2023, the carrying amounts of the accounts receivable were approximate to their fair values.

(c) As of June 30, 2023 and December 31, 2022, trade receivables of RMB263,689,000 and RMB65,738,000 respectively were pledged to secure certain bank facilities granted to the Group (*Note 13*).

## 11 Prepayments and other receivables

|  | As of<br><b>June 30,</b><br><b>2023</b><br><i>RMB'000</i><br>(Unaudited) | As of<br>December 31,<br>2022<br><i>RMB'000</i><br>(Audited) |
|--|--|--|
| <b>Prepayments</b>                               |  |  |
| Prepaid revenue sharing to content providers (a) | 862,529  | 866,765  |
| Prepaid advertising expenses (b)                 | 379,683  | 376,609  |
| Recoverable value-added tax                      | 9,555  | 29,090   |
| Prepayment to related parties                    | 6,604  | 6,938  |
| Prepayment for intangible assets                 | —  | 920  |
| Others   | 9,443  | 32,827   |
|  | <u>1,267,814</u>   | <u>1,313,149</u>   |
| Less: provision for impairment (e)               | <u>(348,363)</u>   | <u>(380,628)</u>   |
|  | <u>919,451</u>   | <u>932,521</u>   |
| Less: non-current Prepayment                     | <u>—</u>   | <u>(920)</u>   |
|  | <u><b>919,451</b></u>  | <u><b>931,601</b></u>  |
| <b>Other receivables</b>                         |  |  |
| Loans to third parties (c)                       | 151,972  | 238,091  |
| Loans to shareholders                            | 92,436   | 86,157   |
| Rental and other deposits                        | 2,814  | 12,258   |
| Loans to employees (d)                           | 12,040   | 1,879  |
| Others   | 18,388   | 20,667   |
|  | <u>277,650</u>   | <u>359,052</u>   |
| Less: provision for impairment                   | <u>(107,889)</u>   | <u>(203,723)</u>   |
|  | <u>169,761</u>   | <u>155,329</u>   |
| Less: non-current other receivables              | <u>(91,942)</u>  | <u>(90,262)</u>  |
|  | <u><b>77,819</b></u>   | <u><b>65,067</b></u>   |

As of June 30, 2023, there were no significant balances that are past due.

- (a) The prepaid revenue sharing to game developers is for the services to be rendered by game developers when the Group operates the third party developed games for certain period of time in certain countries. Such amounts are recognized as “cost of revenues” when relevant revenue is recognized.
- (b) The Group engaged various online advertising suppliers and made prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized as “selling and marketing expenses” when the advertising services are rendered.
- (c) Loans to third parties represent the loans provided to several third parties, which were unsecured. All the loans were interest-free except one which was interest-bearing fixed 12% per annum after extension on June 1, 2022.
- (d) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and to be repaid in 1 to 5 years from the grant dates.
- (e) The movements in the provision for impairment of prepayments as follows:

|                                       | <b>Six months ended June 30,</b> |              |
|---------------------------------------|----------------------------------|--------------|
|                                       | <b>2023</b>                      | 2022         |
|                                       | <b>RMB'000</b>                   | RMB'000      |
|                                       | <b>(Unaudited)</b>               | (Unaudited)  |
| <b>At the beginning of the period</b> | <b>380,628</b>                   | 9,873        |
| Provision for impairment              | <b>1,215</b>                     | 20,623       |
| Written off during the period         | <b>(33,480)</b>                  | (28,376)     |
| <b>At the end of the period</b>       | <b><u>348,363</u></b>            | <u>2,120</u> |

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 six months ended June 30, 2023, an impairment provision of RMB1,215,000 was provided for certain games of the Group (during the six months ended June 30, 2022: RMB20,623,000), among which certain games have no further development plan, none of them was considered individually material to the Group.

## 12 Convertible bonds

On October 6, 2020, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD775,000,000 (equivalent to approximately RMB673,312,000) due October 16, 2025 (the “**2025 Convertible Bonds**”), with an initial conversion price of HKD4.99 per share. The 2025 Convertible Bonds bear interest rate of 3.125% per annum, payable semi-annually, with maturity of 5 years from the issuance date and can be converted into shares of the Company at the holder’s option at any time on or after the date which is 41 days after the issuance date up to the close of business on the date falling seven days prior to the maturity date at an initial conversion price of 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, comprized the fair value of the option of the holders of the 2025 Convertible Bonds to require the Company to redeem the 2025 Convertible Bonds; and the fair value of the option of the Company to redeem the 2025 Convertible Bonds. These embedded early redemption options are closely related to the host debt as the redemption amount is principal amount together with accrued but unpaid interest, therefore they are not able to be accounted for separately. The initial value of the liability component and the fair value of the embedded redemption options were recognized as a single liability component, and it subsequently carried at amortized cost.
- Equity component, being the conversion option of the 2025 Convertible Bonds, initially recognized at the residual amount after deducting the value of the aforesaid single liability component from the net proceeds at the initial recognition.

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

|                                  | <b>Liability</b><br><i>RMB'000</i><br>(Unaudited) | <b>Equity</b><br><i>RMB'000</i><br>(Unaudited) | <b>Total</b><br><i>RMB'000</i><br>(Unaudited) |
|----------------------------------|---|--|---|
| <b>As of January 1, 2023</b>     | <b>492,261</b>                                    | <b>262,620</b>                                 | <b>754,881</b>                                |
| Interest expenses                | 40,674  | —  | 40,674  |
| Coupon interests paid            | (10,751)  | —  | (10,751)                                      |
| Currency translation differences | 19,594  | —  | 19,594  |
|                                  | <u>541,778</u>                                    | <u>262,620</u>                                 | <u>804,398</u>                                |
| <b>As of June 30, 2023</b>       | <b>541,778</b>                                    | <b>262,620</b>                                 | <b>804,398</b>                                |
| <b>As of January 1, 2022</b>     | 401,461   | 262,620  | 664,081                                       |
| Interest expenses                | 33,854  | —  | 33,854  |
| Coupon interests paid            | (10,068)  | —  | (10,068)                                      |
| Currency translation differences | 21,890  | —  | 21,890  |
|                                  | <u>447,137</u>                                    | <u>262,620</u>                                 | <u>709,757</u>                                |
| <b>As of June 30, 2022</b>       | <b>447,137</b>                                    | <b>262,620</b>                                 | <b>709,757</b>                                |

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

The 2025 Convertible Bonds are guaranteed by the Company.

The Group did not comply with certain financial covenant requirements of a bank borrowing which may cause the 2025 Convertible Bonds, subject to certain repayment acceleration clauses, become immediately due and payable should the lenders exercise their rights to accelerate repayment under the relevant agreements. In addition, the CB Holders will have the rights at holder's option, to require the Group to redeem all or some of such holder's bonds on October 16, 2023. As a result, the Group reclassified the 2025 Convertible Bonds to current liabilities as of December 31, 2022.

The Group planned to repurchase the 2025 Convertible Bonds in July 2023, which was announced on July 10, 2023, as a result, the Group reclassified the 2025 Convertible Bonds to current liabilities as of June 30, 2023.

As of June 30, 2023, there has been no conversion of the 2025 Convertible Bonds.

## 13 Borrowings

|  | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | As of<br>December 31,<br>2022<br>RMB'000<br>(Audited) |
|--|--|---|
| <b>Included in non-current liabilities</b>                   |  |   |
| Secured bank borrowings (a)                                  | <u>351,347</u>   | <u>—</u>  |
| <b>Included in current liabilities</b>                       |  |   |
| Secured bank borrowings (a)                                  | 578,400  | 508,400   |
| Current portion of long-term bank borrowings,<br>secured (a) | 87,263   | 482,841   |
| Secured other borrowings                                     | <u>10,000</u>  | <u>20,000</u>   |
|  | <u>675,663</u>   | <u>1,011,241</u>                                      |
|  | <u><b>1,027,010</b></u>  | <u><b>1,011,241</b></u>                               |

The Group's long-term bank borrowings bear weighted average interest rate of 3.89% (2022: 4.19%) per annum, and the short-term bank borrowings bear weighted average interest rate of 4.62% (2022: 5.57%) per annum.

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

|   | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | As of<br>December 31,<br>2022<br>RMB'000<br>(Audited) |
|---|--|---|
| Secured by the pledge of assets of the Group<br>(including trade receivables, intellectual<br>properties and licenses or term deposits),<br>and/or guaranteed by the Company<br>and/or its subsidiaries | <b>393,526</b>   | 270,000   |
| Secured by  |  |   |
| — the pledge of certain trade receivables<br>of a subsidiary of the Company   |  |   |
| — the deposit of required amount for<br>transaction security  |  |   |
| — the shares of several oversea subsidiaries<br>of the Company  |  |   |
| — the shares of a subsidiary of the Company*  | <b>315,084</b>   | 442,841   |
| Guaranteed by the Company, and/or certain<br>subsidiaries of the Company  | <b>270,000</b>   | 240,000   |
| Secured by certificate of deposit   | <b>38,400</b>  | 38,400  |
|   | <b><u>1,017,010</u></b>  | <b><u>991,241</u></b>                                 |

\* In March 2023, the Company entered into a one-year loan facility agreement with a bank, where a loan facility up to EUR40,000,000 was made available to the Company. As of June 30, 2023, the loan balance of RMB315,084,000 net of transaction cost was borrowed from aforesaid loan facility agreement. Restricted cash of RMB15,113,000 is pledged deposit for this aforesaid loan.



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

|                       | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | As of<br>December 31,<br>2022<br>RMB'000<br>(Audited) |
|-----------------------|--|---|
| Within 1 year         | 675,663  | 1,011,241   |
| Between 1 and 2 years | 287,821  | —   |
| Between 2 and 5 years | 46,000   | —   |
| Above 5 years         | 17,526   | —   |
|                       | <u>1,027,010</u>   | <u>1,011,241</u>                                      |

#### 14 Trade payables

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

|                    | <b>As of<br/>June 30,<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | As of<br>December 31,<br>2022<br>RMB'000<br>(Audited) |
|--------------------|--|---|
| Within 3 months    | 205,998  | 141,675   |
| 3 months to 1 year | 49,562   | 252,546   |
| 1 to 2 years       | 12,706   | 33,629  |
| 2 to 5 years       | 12,503   | 15,648  |
|                    | <u>280,769</u>   | <u>443,498</u>  |

## **INTERIM DIVIDEND**

The Board did not declare any interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil).

## **COMPLIANCE WITH THE CG CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance for the six months ended June 30, 2023.

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

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

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

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Chen Xiangyu holding both the positions of Chairman of the Board and Chief Executive Officer of the Company will not have influence on the balance of power and authority between the Board and the Company's senior management team. Despite the above, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended June 30, 2023.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Company's listed securities for the six months ended June 30, 2023.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited consolidated financial statements and this interim results announcement for the six months ended June 30, 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the risk management, internal control and financial reporting matters.

## SUBSEQUENT EVENTS

On October 16, 2020, Dreambeyond Holdings Limited ("**DHL**"), a wholly-owned subsidiary of the Company, completed the issue of HKD775 million 3.125% guaranteed convertible bonds due 2025 (the "**Existing Convertible Bonds**"). On July 10, 2023, DHL and the Company appointed Merrill Lynch (Asia Pacific) Limited as the dealer manager to start collecting bond selling intentions of holders of Existing Convertible Bonds to repurchase the Existing Convertible Bonds (the "**Repurchase**"). Finally, on July 24, 2023, upon fulfilment of all the conditions, an aggregate principal amount of HKD758 million of the Existing Convertible Bonds were repurchased and cancelled, representing 97.8% of the initial principal amount of the Existing Convertible Bonds, and the remaining principal amount of the Existing Convertible Bonds is HKD17 million (the "**Remaining Existing Convertible Bonds**"). For details, please refer to the announcements of the Company dated July 10 and July 24, 2023.

On July 17, 2023, the conversion price of the Existing Convertible Bonds was adjusted from HKD4.99 per share to HKD4.93 per share. The maximum number of shares to be issued upon full conversion of the Existing Convertible Bonds increased from 155,310,621 shares to 157,200,811 shares. Subject to the aforesaid Repurchase, the maximum number of shares to be issued upon full conversion of the Remaining Existing Convertible Bonds is 3,448,275 shares. For details, please refer to the announcement of the Company dated July 14, 2023.

On July 18, 2023, the Company completed the placing and issue of 164,177,200 Shares under general mandate to no less than six placees, who were then independent third parties, at a price of HKD3.10 per Share. For details, please refer to the announcements of the Company dated July 11 and July 18, 2023.

On July 24, 2023, the Company completed the placing and issue of HKD386 million 5.00% convertible bonds due 2028 (convertible into listed and circulating ordinary shares up to a maximum of 106,043,956 Shares) under general mandate to no less than six independent placees. For details, please refer to the announcements of the Company dated July 11 and July 24, 2023.

## **PUBLICATION OF INTERIM RESULTS AND 2023 INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.idreamsky.com](http://www.idreamsky.com)). The interim report of the Company for the six months ended June 30, 2023 will be dispatched to the Shareholders and published on the above websites in due course.

## **DEFINITIONS**

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

|   |  |
|---|--|
| “Audit Committee”                         | the audit committee of the Company   |
| “Board”                                   | the board of Directors of the Company  |
| “Casual Esports”                          | a type of game that combines elements of electronic sports and casual entertainment  |
| “CG Code”                                 | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules   |
| “Company” or “our Company” or “iDreamSky” | iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 1119 |

|  |   |
|--|---|
| “DAU(s)”                               | daily active user(s), refers to the total number of active users of a game within a day   |
| “Director(s)”                          | the director(s) of the Company  |
| “EUR”                                  | Euro, the legal currency of the member states of the European Union   |
| “Ghibli”                               | an animation art style characterized by exaggerated image, bright colors, and traditional watercolor style, created by the Japanese animation studio, Studio Ghibli |
| “Group” or “our Group” or “we” or “us” | the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time  |
| “HKD”                                  | Hong Kong dollars, the legal currency of Hong Kong  |
| “Hong Kong”                            | the Hong Kong Special Administrative Region of the PRC  |
| “IAS”                                  | International Accounting Standards  |
| “IFRS(s)”                              | International Financial Reporting Standards   |
| “IP(s)”                                | intellectual property(ies)  |
| “Isekai”                               | another world that exists in fantasy or science fiction works with obvious differences and distinctions from our real world   |
| “Listing Rules”                        | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Model Code”                           | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules  |
| “monthly active user(s)”               | the total number of active users of a game within a month   |

|  |  |
|--|--|
| “PRC” or “China”                       | the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan  |
| “PRC Consolidated Affiliated Entities” | the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries   |
| “Reporting Period”                     | the six months ended June 30, 2023   |
| “RMB”                                  | Renminbi, the legal currency of the PRC  |
| “RPG(s)”                               | games in which users assume the roles of characters in a fictional setting   |
| “Share(s)”                             | ordinary share(s) of the Company with a nominal value of USD0.0001 each in the share capital of the Company  |
| “Shenzhen iDreamSky”                   | Shenzhen iDreamSky Technology Co., Ltd. (深圳市創夢天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company  |
| “Stock Exchange”                       | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”                      | has the meaning ascribed thereto under the Listing Rules   |
| “substantial 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 |

|       |  |
|-------|--|
| “USD” | U.S. dollars, the legal currency of the United States of America |
| “%”   | per cent   |

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

Shenzhen, the PRC, August 30, 2023

*As at the date of this announcement, the Board comprises Mr. Chen Xiangyu as chairman and executive Director, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Yang Jialiang as executive Directors, Mr. Zhang Han and Mr. Yang Ming as non-executive Directors, and Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui as independent non-executive Directors.*