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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023. The results have been audited by the Auditor in accordance with International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

| | For the year ended 31 December | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | | (Restated) |
| Revenues | 1,916,473 | 2,594,528 |
| Gross profit | 673,461 | 400,460 |
| Profit/(loss) before income tax | (470,357) | (2,507,750) |
| Profit/(loss) for the year from continuing operations | (456,830) | (2,521,578) |
| Adjusted profit/(loss) for the year* | 139,597 | (576,152) |

* To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit/loss for the year as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit/loss for the year was derived from our profit/loss for the year from continuing operations excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment of investments in associates accounted for using the equity method, fair value changes on financial liabilities at fair value through profit or loss, interest expense on convertible bonds, adjustment of amortized cost of convertible bonds due to early redemption, impairment provision of goodwill resulting from a business combination, provision for impairment of intangible assets, provision for impairment of financial assets, provision for impairment of prepayments and net exchange gains/losses. The adjusted profit/loss from continuing operations for the year of 2022 has been restated to be comparable to that disclosed in 2023.

BUSINESS REVIEW AND OUTLOOK

OVERVIEW

In recent years, the game industry has demonstrated a positive impact in the areas of economic growth, cultural promotion and technological innovation and it is developing towards a more prosperous and sound future. As a participant in the game industry, we are fully aware of our mission to bring high-quality works to the market, penetrate into daily lives of users, and serve as a bridge between the virtual and the real, so as to contribute novel thinking and strategies for the continuous optimization and efficient operation of the digital society, and further show the world the heritage and style of Chinese culture through the global common language of games.

By closely following the development trend of the digital economy and focusing on the main business of games, we have **established a user-centered game ecosystem with operation of high-quality games as the core**. Leveraging advanced technology and computing platforms, we have, by carefully polishing character settings, worldview construction, storylines, and innovative gameplay, successfully **developed and published a number of globally renowned game products, and created an influential user community**.

We have three core competencies and strengths. First, we **have game IPs with a large user base and a long life cycle**. Classic games such as Subway Surfers (地鐵跑酷), Temple Run (神廟逃亡), Gardenscapes (夢幻花園) and Homescapes (夢幻家園) have been launched for 7 to 12 years and still maintain robust growth momentum. Second, we **have global R&D and operational capabilities**. We have transitioned from distribution to self-development and have accurately grasped the deep-seated user demands by integrating games with the community. Taking Subway Surfers for example, we have gradually accumulated experience on the basis of localization of source code and then ultimately turned into self-development from distribution. At the same time, we are firmly committed to the game self-development line and focus on product differentiation. The self-developed product Strinova (卡拉彼丘), as the world's first nijigen competitive shooting game, will be released on multiple platforms for global users soon. Third, we **built Fanbook, a community platform with a large number of users**. This platform deeply connects game manufacturers and users, realizing efficient interaction and synergy between them. The flexible application and rapid deployment of AI tools in-app help us realize application innovation in multiple dimensions and continuously improve the activeness and user stickiness of our community.

BUSINESS REVIEW

Achieving local distribution of global famous IPs, promoting robust growth of long-running games through three key strategies

Over the past year, our long-running games have had a stable foundation and strong staying power, thanks to the high-quality contents and excellent user service strategies of the Company: iteratively updating our products based on source code localization to continuously optimize and improve the game experience; associating with famous IPs to attract more users; and enhancing user stickiness and activeness through the refined operation of Fanbook community. These three strategies complement each other and help promote the steady growth of long-running games.

In 2023, the Gardenscapes and Homescapes made great achievements, with revenue surging by more than 50% compared with the same period in 2022, hitting a record high since its launch. Gardenscapes and Homescapes achieved an increase in both user size and health, fully demonstrating the excellent quality of this game series and efficient operation capability of us.

In this year, 10 new versions of Gardenscapes have been released, with each update bringing a brand new gaming experience to users. Among them, 9 well-designed garden themes were particularly eye-catching, such as “Chinese mythology about peach of immortality (蟠桃獻瑞)”, “Jiangnan Canal Town (江南水鄉)”, “Twelve Constellations (十二生肖)” and other localized original theme versions, and we have also launched the public welfare theme version associated with the China Small Animal Protection Association, conveying positive energy and values to society.

Subway Surfers remained hot for ten years after its launch, topping the List of iOS Top Free Games in Mainland China. We insisted on monthly updates, and successfully launched 12 new versions in 2023, and brought diversified gameplay and surprises to users through the association with classic IPs such as Ultraman (奧特曼) and Detective Conan (名偵探柯南), as well as Weibo. In addition, by leveraging the Fanbook community as the home ground, we carefully planned and launched a series of national competitive events, covering campus tournaments, live streamer tournaments, challenge tournaments and others, with the high-profile “Runner’s Cup (跑神杯)” summit tournament as the grand finale, which provided a platform for the game enthusiasts to demonstrate themselves and engage in competition and communication.

War Robots (機甲戰隊) has rapidly risen to prominence since its release in China in January 2024 and ranked seventh on the best-selling list of iOS shooting games during the 2024 Chinese New Year, filling the gap of the realistic mech style real-time combat game category in the Chinese market. Thanks to our extensive publishing capabilities and strong operation capabilities of the Fanbook community, the game has not only won praise

from users, but also achieved outstanding performance. In the first month of its launch in Chinese region, more than 300 excellent works were received through creator collection activity, and these works have garnered tens of millions of views on the Douyin platform. In addition, the game won a high score of 4.7 on the App Store. These results prove that the game has gained recognition on both reputation and commercialization.

Achieving high-quality delivery of self-developed games and ranking top in the niche sectors

Dedicated to game self-development, we have successfully delivered a number of high-quality games, which have won wide recognition in the market and warm praise from users.

Strinova is our self-developed blockbuster product, with two most prominent features: shooting and nijigen. That is, on the one hand, it focuses on the shooting niche sector; on the other hand, it integrates the nijigen art style and impression. By combining those two features, **Strinova filled in the blank of the current market and became the world's first nijigen competitive shooting game.**

On the date of launch for the closed beta test, the Strinova achieved first place on multiple Bilibili lists such as Reservation List and Shooting Category Popularity Index list, and ranked steadily at the forefront of the WeGame Hot New Product List. In the subsequent launch of the official open-test and Season 3, Strinova was even more overwhelming, reaching the top of the heat list of the Bilibili game center. During the open-test period, the average daily activity of Strinova increased by more than 60%, the number of new users increased by 130% year on year, the player retention increased by about 10%, the participation rate of new casual gameplay of “pushing car (推車)” increased over 20% and the daily average online time per capita exceeded 120 minutes. In addition, we have a plan for multi-platform deployment, which means bringing this masterpiece to multiple platforms such as console and mobile in succession. With the development and unlocking of new gameplay, new maps, new characters and other contents, as well as the launch on multiple platforms for the world, we are convinced that Strinova has the potential to be a blockbuster game.

This self-developed game has not only given us a firm foothold in the field of shooting games, but also, more importantly, we have successfully built a multi-platform global shooting technology pipeline and nijigen content pipeline through it, and we are also one of the leading manufacturers in the industry to research and use the world's leading virtual engine to develop games, which is an important breakthrough with milestone significance for iDreamSky. Currently, our technology in shooting games has caught up with the industry-leading level. In the future, we will utilize our technological accumulations to create the most favorite shooting game products for young people. In terms of content

pipeline, we have accumulated rich research and development experience in game world view design, character shaping, music creation and other aspects through Strinova. And the quality of our nijigen rendering pipeline, based on the UE4 game engine, has reached and even surpassed the level of industry leaders. These technological accumulations will lay a solid foundation for us to develop more new products with rich nijigen elements and meet the demand of the young users' aesthetics in the future.

In the past two years, Glory All Stars (榮耀全明星) has been ranking No.1 among the side-scrolling fighting ARPG mobile games, and the game is well in tune with the players' preferences. In 2023, 7 update versions were launched for this game, including the introduction of the Level 70 version (70級版本), the Dark Area Maze version (暗域迷宮版本), and the Dragon Spirit Warrior version (龍魂戰將版本), all of which were highly acclaimed. It is worth mentioning that a joint action was launched between Glory All Stars and the well-known Chinese comic IP “the Overseas Immortal Mountain Chapter of Journey of the Young Vigilantes (少年歌行海外仙山篇)”, which combined the classic elements of Chinese comics with the game play, bringing users a richer and more diversified game experience. Through Glory All Stars, we have built a closed-loop operation model of “release + livestream + content + user service”, further enhancing the brand influence and market competitiveness of the game.

Ni No Kuni: Cross Worlds (二之國: 交錯世界) of Chinese Region, which was launched without deletion on 28 February 2024, is a massively multiplayer online role-playing game jointly developed and operated by Netmarble, iDreamSky and Tencent. This game is based on the UE4 game engine, with a rich phantom beast system, and it is regarded as an excellent game masterpiece. In addition to advanced gameplay, this game has also maintained the classic elements of its franchise in terms of music and art, presenting users with an adventure world full of surprises and fantasy.

Actively Embracing AIGC, Activating the Power of Community via Fanbook

As a pioneer of the “channel community” concept, Fanbook has realized efficient interaction and collaboration between game contents and users by deeply connecting them. Benefiting from Fanbook, game developers are able to accurately capture user needs and focus on improving the quality of their products and services, while users are able to find like-minded enthusiasts, interact directly with game manufacturers, and have the opportunity to participate in the production and distribution process of the game.

Over the past year, Fanbook has supported the operation of tens of millions of users, realizing more efficient user-reach. It assists companies in improving operational efficiency by building operational block modules. The centralized management function for creators in Fanbook helps create more popular content, while the rapid deployment of AI tools enables multi-dimensional application innovation. This can not only provide an interactive community with new functions for game producers, but also promote the rapid development of the entire game industry.

As of the end of 2023, Fanbook received more than 10 million new users and over 40,000 new communities, and the content creators community continued to expand. The overall views of the content created by these creators on major platforms exceeded 2 billion, fully demonstrating Fanbook’s strong influence in the areas of game brand and user interaction, content innovation and sharing.

Embracing AI and other advanced technologies to drive product experience upgrades

We closely embrace the global cutting-edge AI technologies, and actively explore the way of innovation and integration of AI in the game field by combining our own game, community scenario and R&D capabilities.

In terms of efficiency and quality improvement, AI technology plays an important role in the entire chain of organizational collaboration, product research and development, and operation, achieving efficiency improvements through intelligent means, while ensuring the high quality of products and services.

In terms of user experience, AI has deeply occupied the minds of our users. Joining hands with industry leaders such as Baichuan AI, we have successfully integrated AI companion capabilities into the Fanbook community, providing players with a more colorful interaction experience. The “Xinghui (星繪)” character in the Strinova community is a typical representative of this. “Xinghui” is not only good at interpreting the emotion behind the text, but also can deeply resonate with the user in a unique way of the role, providing intimate companionship, thus significantly improving the user experience, extending the retention time of users, and enhancing user stickiness. The IP image of “Xinghui” is also deeply implanted in the hearts of players and becomes their unforgettable game partner.

In terms of content creation tools, we have integrated a comprehensive suite of AI tools to provide strong support for creators. In the past year, we successfully held several AI creation events, attracting the active participation of more than 300,000 creators, and creating a total of more than 1 million high-quality AI works.

Implementing lean management to reduce costs and increase efficiency, achieving solid growth in operating cash flow

In recent years, in light of various factors such as the changes in the economic environment, the game industry and the Company, we have taken multiple measures to promote cost reduction and efficiency enhancement. We took the initiative to “suspend, shut down, merge and transfer” the non-core game business, further optimized the organizational structure, focused on the main business, constructed four independent business lines, and made every effort to create high-quality products, which resulted in a steady growth in the revenue of core games. In addition, we used the Fanbook community to continuously penetrate into user operations, and improve the revenue and gross margin of our own channels, which resulted in the improvement in the revenue quality. The Company’s cost reduction and

efficiency enhancement initiatives have resulted in continued reductions in management and operating costs. In the future, we will continue to implement the concept of reducing costs and improving efficiency in all aspects of the organization, promote the substantial improvement in corporate profits and operating cash flow, and pursue the maximization of long-term free cash flow.

In 2023, the net operating cash flow in our consolidated statement was RMB253.0 million, representing a substantial increase over the net operating cash flow of RMB93.9 million in the same period last year, mainly due to our focus on the revenue quality and operating cash flow. The existing core game business is growing steadily, and new game products are also being launched one after another. Our profitability and cash generation ability are strong and stable.

OUTLOOK FOR 2024

Focusing on global market R&D and operation, we are poised for take-off in 2024

Looking ahead, the domestic game market is booming and the wave of games going overseas is accelerating. We will further enhance our global distribution, global deployment and independent research and development capabilities, enhance our efforts in the domestic market while actively expanding the huge overseas incremental market, and continue to increase the penetration rate of our products overseas, so as to improve our competitiveness and influence in the global market and promote the Chinese culture.

In 2024, we were the first to enter the Middle East market, exhibiting at the LEAP tech show in early March to give Saudi users a sneak peek at our gaming products represented by Strinova. During the exhibition, we signed a contract with a Saudi cloud computing company, based on which we will integrate the technology and resources of both sides, and jointly promote the vigorous development of the game and esports industry in Saudi Arabia and the wider Middle East region. As we continue to partner with Saudi leading home-grown companies, we will attract more potential users and provide them with a better game performance and experience.

Enabling localization of overseas boutique game IPs for global distribution. With strong source code localization and distribution capabilities, we have not only achieved wide presence in the Chinese market, but also extended our vision and influence to the Middle East and even the rest of the world. In this process, we have, based on the principle of maximizing cost-effectiveness, promoted localization and globalization in an orderly manner.

In 2023, the casual games accounted for 5.11% of the overseas game market, becoming the fourth largest category. With an increase of 3.32% compared with 2022, it was the category with the largest growth in 2023. In the overseas market, the demand of a large number of players for light decompression games remains unsatisfied, and there is great potential for the paying ability of overseas casual game players.

For Subway Surfers, we will further explore its competitive potential, and help the international version of single-play game access to Internet, so as to enhance user stickiness and extend the life cycle of the game. At the same time, we will also launch “Children’s Paradise (童趣樂園)”, “Cube World (方塊世界)” and other self-developed versions to expand the game market. National competitive tournaments, such as campus tournaments, streamer tournaments, and challenge tournaments, will also be held on an ongoing basis. In addition, we will associate with well-known IPs such as GG Bond (豬豬俠) and continue to drive product growth through the Fanbook community.

Our strong localization ability has won high recognition from developers and domestic users. Looking forward to 2024, we will export more localized high-quality versions to share with users around the world.

Enhancing game self-development, implementing global operation. The global leading shooting products have a long life cycle, and the MAU in the past three years has basically remained stable. It is expected that Strinova will also become a long-term operation game. We plan to launch the mobile version in China in the second half of 2024 and the client, mobile and console versions globally as soon as possible. To maintain the game’s appeal, we have increased the frequency of version updates to one season every two months, and will continue to bring new characters, new maps, and new lounges. At the operational level, we will continue to expand the game’s influence through the organization of city tournaments in Guangzhou and Chongqing as well as campus tournaments. In addition, we will make active promotions on high traffic platforms to attract more potential users.

RPG is still the world’s largest category of mobile games, with innovative gameplay, regional themes, localized style, and global IP being the core business direction of this category. For Glory All Stars, we will steadily push forward with version updates, introduce new gameplay and new professions, and launch cooperation with globally renowned IPs to ensure the game’s long-term operation and sustainable development. For War Robots, more versions and contents will be launched, and more social features will be added in line with battle play to further enhance user engagement.

Actively embracing AI capabilities to promote global development of Fanbook. In terms of the Fanbook community, we will make our best efforts to expand our user base, increase our user retention rate, and make in-depth exploration of more AI character companion functions in addition to “Xinghui” to achieve a wider range of commercial applications, and promote the to-business game manufacturers to provide to-customer users with a richer and more innovative experience. In addition, the Gardenscapes community will also have a new “AI picture book master (AI繪本故事大師)” function, which uses advanced AI technology to generate a coherent story arranged in six square boxes with only one image. Compared to other graph-generated graphic technologies, it has excellent performance in maintaining the consistency of story protagonists, providing creators with a more convenient and efficient creation environment.

We are keenly aware that advanced technology is a key driver for the continued growth of the game industry. Therefore, we will embrace new technologies and incorporate them into our game development to enhance the quality of our games. Meanwhile, we recognize that games are not only expressions of content, but also carriers of culture and art. On the journey of long-term development, we will, taking the original IP as the core, and centering on character creation and operation, continuously improve the quality and depth of the game by carefully polishing the character setting, worldview construction, storyline, and innovative gameplay design to bring more game masterpieces to the global users.

Adhering to the original intention of giving back to society as a warm-hearted technology company

We will, based on high-quality content and integrating enterprise development, cultural inheritance and public welfare actions, actively practice social responsibility.

In terms of cultural inheritance, we pay special attention to the protection and promotion of urban intangible cultural heritage. For example, in Strinova, we digitized shadow puppet techniques to inject modern technological elements into traditional culture, making it more ornamental and interactive. Through the cross-border cooperation of “game + public welfare”, we aim to revitalize the intangible cultural heritage and maintain the cultural lineage by means of technology, culture and art.

In terms of public welfare actions, we pay attention to the rural education and revitalization, and join hands with our partners to hold public welfare donation activities, sending cultural and spiritual food to children in remote areas. We also advocate the protection of animals. We have cooperated with relevant organizations to launch small animal protection programs, and enhanced public awareness of small animal protection through the Gardenscapes and Homescapes series and other diversified forms. In addition, we care about the internship and development of Hong Kong and Macao students. We actively participated in relevant public welfare activities, and provided them with internship opportunities and employment guidance, so as to help them achieve better development.

The success of an enterprise lies not only in the economic benefits, but also in the contribution and responsibility to society. Therefore, while pursuing technological innovation and breakthroughs, we are committed to transferring the warmth of science and technology to everyone.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING OPERATION

Revenues

Revenue decreased by 26.1% to approximately RMB1,916.5 million for the year ended 31 December 2023 on a year-on-year basis (2022: RMB2,594.5 million). The following table sets forth our revenue for the years ended 31 December 2023 and 2022:

| | For the year ended 31 December | | | |
|-----------------------------|--------------------------------|---------------------|-------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| | | | (Restated) | |
| Game revenue | 1,849,089 | 96.5 | 2,531,285 | 97.6 |
| Information service revenue | 61,781 | 3.2 | 48,956 | 1.9 |
| Others | 5,603 | 0.3 | 14,287 | 0.5 |
| Total | <u>1,916,473</u> | <u>100.0</u> | <u>2,594,528</u> | <u>100.0</u> |

— Game revenue. The largest portion of our revenue was from games and contributed 96.5% and 97.6% of the total revenue for the years ended 31 December 2023 and 2022. Game revenue decreased by 27.0% from RMB2,531.3 million for the year ended 31 December 2022 to RMB1,849.1 million for the year ended 31 December 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 led to the decrease in operating revenue from non-core games. However, the revenue from core casual 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, thanks to a diversified gaming experience through continuous high-quality content output and in-depth linkage with well-known IPs and integrating the classics of Chinese comics. Subway Surfers successfully launched multiple new versions in 2023, and collaborated with multiple classic IPs and Weibo. The revenue performed stable during the Reporting Period. 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 revenue increased over 50% year on year during the Reporting Period.

- Information service revenue. Our information service revenue is primarily derived from our advertising services. Information service revenue increased from RMB49.0 million for the year ended 31 December 2022 to RMB61.8 million for the year ended 31 December 2023. The increase was mainly due to (i) an increase in advertising space within the games we launched and other games or applications we represented from third parties; and (ii) an increase in fees charged to advertisers or advertising agencies as a result of market conditions during the year.

Cost of Revenues

For the year ended 31 December 2023, the total cost of revenues of the Group was RMB1,243.0 million (2022: RMB2,194.1 million), representing a year-on-year decrease of 43.3%.

As a percentage of revenue, our cost of revenues decreased from 84.6% for the year ended 31 December 2022 to 64.9% for the year ended 31 December 2023. The decrease was mainly due to impairment provisions in 2022 in respect of our prepaid share of payment for game products that are not in line with the Group's core business strategy. Excluding the impact of the provision for impairment of prepaid sharing premiums, the gross margin for the year was 37.3% (2022: 36.0%), an increase over the same period in the prior year, 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 other channels, and thus resulting in a corresponding decrease in channel costs.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 78.5% from RMB1,074.8 million for the year ended 31 December 2022 to RMB230.6 million for the year ended 31 December 2023. As a percentage of revenue, our selling and marketing expenses decreased from 41.4% for the year ended 31 December 2022 to 12.0% for the year ended 31 December 2023, primarily due to the significant decrease in marketing expenses as a result of our continuous improvements in customer acquisition efficiency and refined operation since the beginning of 2023.

General and Administrative Expenses

For the years ended 31 December 2023 and 2022, our general and administrative expenses were RMB109.1 million and RMB108.2 million respectively, which was basically stable for two years.

Research and Development Expenses

For the years ended 31 December 2023 and 2022, our research and development expenses were RMB240.0 million and RMB316.0 million, respectively. The decrease in research and development expenses was mainly due to the reduction of our investment in Fanbook with the maturity of the basic functions of the product. At the same time, we apply AIGC technology to game research and development, which has effectively improved the efficiency of game development and brought about a reduction in research and development expenses. As a percentage of revenue, our research and development expenses increased from 12.2% for the year ended 31 December 2022 to 12.5% for the year ended 31 December 2023.

Impairment Losses on Intangible Assets

Our impairment losses on intangible assets decreased from RMB752.3 million for the year ended 31 December 2022 to RMB23.2 million for the year ended 31 December 2023.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB232.3 million and RMB359.8 million for the years ended 31 December 2023 and 2022, respectively.

Fair Value Losses on Financial Assets at Fair Value Through Profit or Loss

Our fair value loss on financial assets at fair value through profit or loss decreased from RMB83.2 million for the year ended 31 December 2022 to RMB27.9 million for the year ended 31 December 2023.

Finance Costs, Net

Our net finance costs increased from RMB172.5 million for the year ended 31 December 2022 to RMB289.8 million for the year ended 31 December 2023. The main reason was that the interest expense arising from convertible bonds was RMB78.6 million and the adjustment of amortized cost arising from early redemption of convertible bonds was RMB130.6 million.

Income Tax Credit/Expense

We recorded an income tax credit of RMB13.5 million for the year ended 31 December 2023, compared to an income tax expense of RMB13.8 million for the year ended 31 December 2022.

Profit/Loss for the Year

Our loss for the year from continuing operations decreased from RMB2,521.6 million for the year ended 31 December 2022 to RMB456.8 million for the year ended 31 December 2023. Our adjusted profit for the year was RMB139.6 million for the year ended 31 December 2023 and our adjusted loss for the year was RMB576.2 million for the year ended 31 December 2022.

DISCONTINUED OPERATIONS (IP DERIVATIVES BUSINESS)

The Group disposed the IP derivatives business in March 2023, with a revenue of RMB 17.3 million and a loss for the period of RMB20.5 million from the IP derivatives business from the beginning of the year to the disposal date, and a one-off loss caused by such disposal was RMB83.5 million.

OTHER FINANCIAL INFORMATION

| | For the year ended | |
|--|--------------------|-------------|
| | 31 December | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | | (Restated) |
| Adjusted profit/(loss) for the year ⁽¹⁾ | 139,597 | (576,152) |
| EBITDA ⁽²⁾ | (78,497) | (2,152,666) |
| Adjusted EBITDA ⁽³⁾ | 308,773 | (277,524) |

Notes:

- (1) Our adjusted profit/loss for the year was derived from our profit/loss for the year from continuing operations excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment of investments in associates accounted for using the equity method, fair value changes on financial liabilities at fair value through profit or loss, interest expense on convertible bonds, adjustment of amortized cost of convertible bonds due to early redemption, impairment provision of goodwill resulting from a business combination, provision for impairment of intangible assets, provision for impairment of financial assets, provision for impairment of prepayments and net exchange gains/losses. The adjusted profit/loss from continuing operations of 2022 has been restated to be comparable to that disclosed in 2023.
- (2) EBITDA is net income or loss before interest expenses, adjustment of amortized cost of convertible bonds due to early redemption, income tax expense/credit, depreciation and amortization.
- (3) Adjusted EBITDA is calculated using adjusted profit for the year, adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets, income tax expense/credit, interest expenses and adjustment of amortized cost of convertible bonds due to early redemption.

Non-IFRS Financial Measure

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the years ended 31 December 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

| | For the year ended | |
|---|---------------------------|-------------------------|
| | 31 December | |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Restated) |
| Reconciliation of loss for the year from continuing operations to adjusted profit/(loss) for the year: | | |
| Loss for the year from continuing operations | (456,830) | (2,521,578) |
| Add: Fair value losses on financial assets at fair value through profit or loss | 27,856 | 83,150 |
| Add: Fair value losses on financial liabilities at fair value through profit or loss | 10,986 | — |
| Add: Share-based compensation expenses | 10,508 | 13,173 |
| Add: Impairment provision of goodwill resulting from a business combination | — | 73,222 |
| Add: Impairment of investments in associates accounted for using the equity method | 19,359 | 7,917 |
| Add: Interest expense on convertible bonds | 78,563 | 70,284 |
| Add: Adjustment of amortized cost of convertible bonds due to early redemption | 130,594 | — |
| Add: Impairment loss on intangible assets | 23,245 | 752,293 |
| Add: Net impairment losses on financial assets | 232,323 | 359,807 |
| Add: Impairment loss on prepayments | 40,731 | 533,135 |
| Add: Exchange losses, net | 22,262 | 52,445 |
| | <hr/> | <hr/> |
| Adjusted profit/(loss) for the year | <u>139,597</u> | <u>(576,152)</u> |

Reconciliation of loss for the year from continuing operations to EBITDA and adjusted EBITDA:

| | | |
|---|------------------|-------------|
| Loss for the year from continuing operations | (456,830) | (2,521,578) |
| Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets | 12,390 | 13,112 |
| Add: Amortization of intangible assets | 102,166 | 211,072 |
| Add: Income tax (credit)/expense | (13,527) | 13,828 |
| Add: Interest expense | 146,710 | 130,900 |
| Add: Adjustment of amortized cost of convertible bonds due to early redemption | 130,594 | — |
| | <hr/> | <hr/> |

| | For the year ended | |
|--|---------------------------|------------------|
| | 31 December | |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Restated) |
| EBITDA | (78,497) | (2,152,666) |
| Add: Fair value losses on financial assets at fair value through profit or loss | 27,856 | 83,150 |
| Add: Fair value losses on financial liabilities at fair value through profit or loss | 10,986 | — |
| Add: Share-based compensation expenses | 10,508 | 13,173 |
| Add: Impairment provision of goodwill resulting from a business combination | — | 73,222 |
| Add: Impairment of investments in associates accounted for using the equity method | 19,359 | 7,917 |
| Add: Impairment loss on intangible assets | 23,245 | 752,293 |
| Add: Net impairment loss on financial assets | 232,323 | 359,807 |
| Add: Impairment loss on prepayments | 40,731 | 533,135 |
| Add: Exchange losses, net | 22,262 | 52,445 |
| | <hr/> | <hr/> |
| Adjusted EBITDA | 308,773 | (277,524) |
| | <hr/> <hr/> | <hr/> <hr/> |

Liquidity and Financial Resources

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

As at 31 December 2023, the Group's total cash and cash equivalents increased by 110.4% to approximately RMB190.4 million from approximately RMB90.5 million as at 31 December 2022. Our cash and cash equivalents were primarily denominated in RMB, HKD and USD.

As at 31 December 2023, the Group's total borrowings amounted to approximately RMB966.4 million (2022: approximately RMB1,011.2 million). The nature of the Group's borrowings is summarised as follows:

| | As at 31 December | |
|--------------------------|--------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Secured bank borrowings | 876,424 | 991,241 |
| Secured other borrowings | 90,000 | 20,000 |
| | <hr/> | <hr/> |
| | 966,424 | 1,011,241 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | As at 31 December | |
|-----|--------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB’000</i> | <i>RMB’000</i> |
| RMB | 699,526 | 568,400 |
| EUR | 266,898 | 442,841 |
| | <u>966,424</u> | <u>1,011,241</u> |

As at 31 December 2023, the current assets of the Group amounted to approximately RMB1,702.1 million, and the current liabilities of the Group amounted to approximately RMB1,594.1 million. As at 31 December 2023, the current ratio (being calculated as the current assets divided by current liabilities) of the Group was 1.07 as compared with 0.87 as at 31 December 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 at 31 December 2023, the debt ratio of the Group was 53.0% as compared with 58.5% as at 31 December 2022.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, interest payable, lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as “equity” as shown in the consolidated statements of financial position. As at 31 December 2023 and 2022, the gearing ratio of the Group is 57.3% and 80.5% respectively.

Pledge of Assets

Among the total borrowings of the Group as at 31 December 2023, approximately RMB601.4 million (2022: approximately RMB751.2 million) were secured by certain trade receivables, certain game intellectual properties and deposits, which accounted for approximately 62.2% (2022: approximately 74.3%) of the Group’s total borrowings.

Contingent Liabilities

As at 31 December 2023, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (2022: Nil).

Capital Expenditure

For the year ended 31 December 2023, our total capital expenditure was approximately RMB129.9 million, compared to approximately RMB221.9 million for the year ended 31 December 2022. Our capital expenditure primarily included expenditures for purchase of property, plant and equipment, and intangible assets. We plan to fund our capital expenditures through a combination of operating cash flows, debt financing and equity financing. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

Material Acquisitions and Disposals and Significant Investments

For the year ended 31 December 2023, the Group did not have any other material acquisitions, disposals or significant investments, except the split-off of its IP derivatives business in March 2023.

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 fluctuation in foreign currency during the years ended 31 December 2023 and 2022.

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

SECURITIES ISSUANCE AND USE OF PROCEEDS

On 16 October 2020, Dreambeyond Holdings Limited (“**DHL**”), a wholly-owned subsidiary of the Company, completed the issue of convertible bonds originally scheduled to mature on 16 October 2025 in an aggregate principal amount of HK\$775 million (the “**2025 Convertible Bonds**”) which were unconditionally and irrevocably guaranteed by the Company. The 2025 Convertible Bonds have an initial conversion price of HK\$4.99 per Share and, assuming full conversion at the initial conversion price, may be converted into a maximum of 155,310,621 ordinary Shares with a par value of US\$0.0001 each, with an aggregate nominal value of US\$15,531.0621. The net proceeds from the issuance of 2025

Convertible Bonds by the Company were approximately HK\$758 million, equivalent to approximately RMB638.5 million based on the exchange rate of RMB0.8423 to HK\$1.00, and were fully utilised during the year ended 31 December 2021. For further details, please refer to the announcements of the Company dated 7 October 2020 and 16 October 2020 and the 2021 annual report of the Company.

On 10 July 2023, the Company and DHL entered into an agreement (the “**Dealer Agreement**”) with Merrill Lynch (Asia Pacific) Limited (the “**Dealer**”), pursuant to which the Dealer has been appointed to, among other things, assist DHL and the Company in gathering indications of interest from the Bondholder who is willing to sell the 2025 Convertible Bonds held by it to DHL and the Company, and the Eligible Bondholder who has offered to accept the said invitation will be entitled to receive the repurchase price and accrued interest (the “**Repurchase of 2025 Convertible Bonds**”). On 11 July 2023, the Company has received, through the Dealer, the undertaking from the Eligible Bondholder to sell 2025 Convertible Bonds with an aggregate principal amount of approximately HK\$758 million to the Company. On 24 July 2023, all the conditions set out in the Dealer Agreement in relation to the repurchase of the 2025 Convertible Bonds have been fulfilled and the Company completed the repurchase and cancellation of the 2025 Convertible Bonds in the principal amount of HK\$758 million (representing 97.8% of the aggregate principal amount of the 2025 Convertible Bonds), and the remaining outstanding principal amount of the 2025 Convertible Bonds is HK\$17 million.

On 10 July 2023, the Company and the Dealer entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which the Dealer has conditionally agreed to subscribe for, or procure subscribers to subscribe for, the convertible bonds scheduled to mature on 24 July 2028 in an aggregate principal amount of HK\$386 million (the “**2028 Convertible Bonds**”) at the issue price of 100% of the aggregate principal amount of the Bonds at the initial conversion price of HK\$3.64 (the “**Issue of 2028 Convertible Bonds**”). Assuming full conversion at the initial conversion price, it can be converted into a maximum of 106,043,956 ordinary Shares with a par value of US\$0.0001 each, with an aggregate nominal value of US\$10,604.3956. On 24 July 2023, all the conditions set out in the Subscription Agreement in relation to the issuance of bonds have been fulfilled and the Company completed the Issue of 2028 Convertible Bonds to not less than six subscribers under general mandate. For details, please refer to the announcements of the Company dated 10 July and 24 July 2023.

On 10 July 2023, the Company entered into a placing agreement (the “**Placing Agreement**”) with the Dealer as placing agent, pursuant to which the Company has agreed to appoint the placing agent, and the placing agent has agreed to act as agent of the Company to procure, on a best effort basis, places for the placing shares at the placing price of HK\$3.10 per placing share (the “**Placing**”). On 18 July 2023, all the conditions of the placing as set out in the Placing Agreement have been fulfilled and the Company completed the allotment and issue of an aggregate of 164,177,200 ordinary Shares with a par value of US\$0.0001 each

under general mandate with an aggregate nominal value of US\$16,417.72 to not less than six places. The net price per ordinary Share was HK\$3.02. For details, please refer to the announcements of the Company dated 10 July and 18 July 2023.

Based on the announcement of the Company dated 11 July 2023, the Directors considered that the Issue of 2028 Convertible Bonds and the Placing could provide the Company with additional funds at a lower funding cost to finance the repurchase of the 2025 Convertible Bonds and/or as general working capital. The aggregate actual net proceeds from the Placing and the Issue of 2028 Convertible Bonds is approximately HK\$873 million, equivalent to approximately RMB797.88 million at the exchange rate of RMB0.914 to HK\$1.00.

During the year ended 31 December 2023, the proceeds from the Placing and the issue of the Bonds have been used in accordance with the plans as set out in the relevant announcements and have been fully utilised. The table below sets out the details of the actual amount utilised (adjusted on a pro rata basis based on the actual net proceeds):

| Usage | Net proceeds from the Placing and the Issue of the 2028 Convertible Bonds <i>RMB in million</i> | Actual amount utilised up to 31 December 2023 <i>RMB in million</i> |
|--|---|---|
| Repurchase of the 2025 Convertible Bonds | 684.89 | 684.89 |
| General working capital | 112.99 | 112.99 |
| | <hr/> | <hr/> |
| Total | 797.88 | 797.88 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

Certain figures and percentage figures included in the above tables have been subject to rounding adjustments.

According to the announcement of the Company dated 16 October 2023, the remaining 2025 Convertible Bonds with the principal amount of HK\$17 million were redeemed and cancelled on 16 October 2023. Accordingly, the 2025 Convertible Bonds were fully cancelled as at 31 December 2023.

The last closing price of the Shares of the Company as quoted on the Stock Exchange on 10 July 2023 was HK\$3.38 per Share.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|--|------|------------------------|-----------------------|
| | | 2023 | 2022 |
| | Note | RMB'000 | RMB'000 (Restated) |
| Continuing operations | | | |
| Revenues | | 1,916,473 | 2,594,528 |
| Cost of revenues | 3 | (1,243,012) | (2,194,068) |
| Gross profit | | 673,461 | 400,460 |
| Selling and marketing expenses | 3 | (230,597) | (1,074,799) |
| General and administrative expenses | 3 | (109,111) | (108,186) |
| Research and development expenses | 3 | (239,953) | (315,981) |
| Impairment losses on intangible assets | 3 | (23,245) | (752,293) |
| Net impairment losses on financial assets | | (232,323) | (359,807) |
| Other income | 4 | 25,430 | 34,104 |
| Other losses, net | | (11,097) | (59,096) |
| Fair value losses on financial assets at fair value through profit or loss | | (27,856) | (83,150) |
| Operating loss | | (175,291) | (2,318,748) |
| Finance income | 5 | 6,205 | 8,775 |
| Finance costs | 5 | (295,979) | (181,243) |
| Finance costs, net | | (289,774) | (172,468) |
| Share of results of investments accounted for using the equity method | | 14,067 | (8,617) |
| Impairment of investments accounted for using the equity method | | (19,359) | (7,917) |
| Loss before income tax | | (470,357) | (2,507,750) |
| Income tax credit/(expense) | 6 | 13,527 | (13,828) |
| Loss for the year from continuing operations | | (456,830) | (2,521,578) |
| Discontinued operations | | | |
| Loss for the year from discontinued operations after income tax | | (103,988) | (68,339) |
| Loss for the year | | (560,818) | (2,589,917) |
| Other comprehensive loss | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| — Currency translation differences | | 27,208 | 303,748 |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| — Currency translation differences | | (19,147) | (247,571) |
| Total comprehensive loss for the year | | (552,757) | (2,533,740) |

| | | Year ended 31 December | |
|--|-------------|-------------------------------|--------------------|
| | | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| | | | (Restated) |
| Loss for the year attributable to owners of the Company | <i>Note</i> | | |
| — from continuing operations | | (453,381) | (2,429,874) |
| — from discontinued operations | | (102,966) | (62,419) |
| | | <u>(556,347)</u> | <u>(2,492,293)</u> |
| Loss for the year attributable to non-controlling interests | | | |
| — from continuing operations | | (3,449) | (91,704) |
| — from discontinued operations | | (1,022) | (5,920) |
| | | <u>(4,471)</u> | <u>(97,624)</u> |
| | | <u>(560,818)</u> | <u>(2,589,917)</u> |
| Total comprehensive loss attributable to: | | | |
| — Owners of the Company | | (548,286) | (2,436,116) |
| — Non-controlling interests | | (4,471) | (97,624) |
| | | <u>(552,757)</u> | <u>(2,533,740)</u> |
| Losses per share | | | |
| From continuing operations | | | |
| — Basic losses per share (<i>in RMB</i>) | 7 | (0.32) | (1.75) |
| — Diluted losses per share (<i>in RMB</i>) | 7 | (0.32) | (1.75) |
| From discontinuing operations | | | |
| — Basic losses per share (<i>in RMB</i>) | 7 | (0.07) | (0.05) |
| — Diluted losses per share (<i>in RMB</i>) | 7 | (0.07) | (0.05) |
| From continuing and discontinued operations | | | |
| — Basic losses per share (<i>in RMB</i>) | 7 | (0.39) | (1.80) |
| — Diluted losses per share (<i>in RMB</i>) | 7 | (0.39) | (1.80) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As of 31 December | |
|---|------|-------------------------|-------------------------|
| | | 2023 | 2022 |
| | Note | RMB'000 | RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 98,354 | 107,943 |
| Intangible assets | 8 | 965,535 | 1,004,718 |
| Investment properties | | 6,515 | 6,955 |
| Right-of-use assets | | 96,236 | 185,415 |
| Investments accounted for using the equity method | | 330,033 | 347,461 |
| Financial assets at fair value through profit or loss | | 325,743 | 348,897 |
| Prepayments and other receivables | 10 | 72,620 | 91,182 |
| Deferred tax assets | | 110,539 | 113,553 |
| | | <u>2,005,575</u> | <u>2,206,124</u> |
| Current assets | | | |
| Inventories | | — | 20,688 |
| Trade receivables | 9 | 369,260 | 724,932 |
| Prepayments and other receivables | 10 | 983,871 | 1,013,086 |
| Contract costs | | 47,288 | 55,405 |
| Financial assets at fair value through profit or loss | | 73,145 | 125,857 |
| Restricted cash | | 38,105 | 87,099 |
| Cash and cash equivalents | | 190,429 | 90,527 |
| | | <u>1,702,098</u> | <u>2,117,594</u> |
| Total assets | | <u>3,707,673</u> | <u>4,323,718</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital, share premium and treasury shares | | 3,745,616 | 3,291,884 |
| Reserves | | 936,373 | 800,985 |
| Accumulated losses | | (3,036,252) | (2,472,523) |
| | | <u>1,645,737</u> | <u>1,620,346</u> |
| Non-controlling interests | | <u>97,490</u> | <u>174,196</u> |
| Total equity | | <u>1,743,227</u> | <u>1,794,542</u> |

| | | As of 31 December | |
|---|-------------|--------------------------|-------------------------|
| | | 2023 | 2022 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | <i>11</i> | 123,526 | — |
| Lease liabilities | | 9,539 | 82,113 |
| Convertible bonds | <i>12</i> | 237,297 | — |
| | | <u>370,362</u> | <u>82,113</u> |
| Current liabilities | | | |
| Borrowings | <i>11</i> | 842,898 | 1,011,241 |
| Lease liabilities | | 13,269 | 34,926 |
| Trade payables | <i>13</i> | 273,415 | 443,498 |
| Other payables and accruals | <i>14</i> | 152,117 | 224,687 |
| Financial liabilities at fair value through profit or loss | | 99,633 | — |
| Contract liabilities | | 170,751 | 199,133 |
| Convertible bonds | <i>12</i> | — | 492,261 |
| Current income tax liabilities | | 42,001 | 41,317 |
| | | <u>1,594,084</u> | <u>2,447,063</u> |
| Total liabilities | | <u>1,964,446</u> | <u>2,529,176</u> |
| Total equity and liabilities | | <u>3,707,673</u> | <u>4,323,718</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

iDreamSky Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 3 January 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 6 December 2018.

This consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi (“**RMB**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2024.

The financial position and performance of the Group was particularly affected by the disposal of a subsidiary in March 2023. The disposal was accounted as the discontinued operation and the Group’s comparative figures of the consolidated statement of comprehensive income was restated.

2. Basis of preparation

- (a) Compliance with all applicable International Financial Reporting Standards as issued by the IASB (“**IFRS Accounting Standards**”) and the Hong Kong Companies Ordinance

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

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards 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.

(b) *Historical cost convention*

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

(c) *Going concern basis*

During the year ended 31 December 2023, the Group reported a net loss of RMB560,818,000. As at 31 December 2023, the Group had borrowings with total amount of RMB966,424,000, while RMB842,898,000 will be due for repayment in one year and the Group's cash and cash equivalents amounted to RMB190,429,000. The directors of the Company have carefully considered the future liquidity, the operation performance and the available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from 31 December 2023, taking into consideration the following plans and measures:

- (1) The Company's management expects its operation performance will continue to improve and will continue to generate operation cash inflow in 2024 because (i) the existing games have established a loyal user base, which is expected to contribute to more operating cash flow in the future and will require less expenditures on advertising and promotion; (ii) The Group will launch multiple versions of certain games in 2024, which are projected to generate positive cash flow for the Group; (iii) the Group will control the other expenditures, accelerate the collection of outstanding trade and other receivables by taking appropriate measures; and (iv) the Group plans to further enhance its strategy by deepening cooperation with overseas enterprises to drive the existing games to generate additional revenue.
- (2) During the year ended 31 December 2023, the Group repaid bank borrowings of RMB1,321,541,000 and obtained new bank borrowings of RMB1,256,209,000. As of 31 December 2023, the Group had unutilized facilities amounting to RMB357,974,000. Subsequent to the year end, the Group had further obtained new banking facilities of RMB300,000,000 and had drawn down a total amount RMB242,863,000 from these facilities as mentioned above. The directors believe the Group will be able to renew its existing banking facilities and borrowings when they fall due in 2024 as well as obtaining bank loans and new bank facilities based on the Group's relationship with the banks and the historical experience of successful facility renewal with the banks.

- (3) As of 31 December 2023, the Group had registered quotas of USD200,000,000 for overseas borrowings. Out of total amount of these registered quotas, not more than EUR40,000,000 or equivalent amount can be used for borrowings with maturity more than one year. The directors of the Company believes that the Group would be able to obtain funding from issuance of new bonds or other financial arrangements when needed in the twelve months from 31 December 2023 under the prevailing rules and regulations.
- (4) The Group will continue to monitor its compliance with the financial covenant requirements of all borrowings and facilities. Should the Group be unable to comply with the covenant requirements, the management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the lenders, if needed.

The directors have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from 31 December 2023. The directors of the Company are of the opinion that, considering the anticipated cash flows to be generated from the Group's operations, the ability to renew the existing facilities and obtain borrowings as well as the abovementioned available unutilized bank facilities and quotas of overseas funding, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(d) New and amended standards adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2023:

| | |
|---|--|
| IFRS 17 | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform — Pillar Two Model Rules |

The Group has adopted the Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently.

Except for above, the adoption of these new and amended standards does not have significant impact on the financial statements of the Group.

(e) *New standards and interpretations not yet adopted*

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments 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 1 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to IAS 1 | Non-current liabilities with covenants | 1 January 2024 |
| Amendments to IFRS 16 | Lease liability in a sales and leaseback | 1 January 2024 |
| Amendments to IAS 7 and IFRS 7 | Supplier finance arrangements | 1 January 2024 |
| Amendments to IAS 21 | Lack of Exchangeability | 1 January 2025 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

3. Expenses by nature

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

| | Year ended 31 December | |
|--|--------------------------------|--------------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 (Restated) |
| Channel costs | 686,685 | 955,847 |
| Revenue share to content providers | 361,238 | 392,881 |
| Employee benefit expenses | 236,392 | 375,606 |
| Promotion and advertising expenses | 217,986 | 1,053,105 |
| Amortization of intangible assets (<i>Note 8</i>) | 102,166 | 211,072 |
| Technical and development services fee in relation to game development and others | 60,994 | 77,224 |
| Cloud computing, bandwidth and server custody fees | 43,974 | 36,955 |
| Impairment provisions for prepayments (<i>Note 10</i>) | 40,731 | 533,135 |
| Impairment provisions for intangible assets (<i>Note 8</i>) | 23,245 | 752,293 |
| Professional service fees | 19,969 | 14,759 |
| Depreciation of right-of-use assets | 11,134 | 11,297 |
| Travelling and entertainment expenses | 10,736 | 9,592 |
| Short-term rental and utilities expenses | 3,307 | 4,037 |
| Depreciation of property, plant and equipment | 1,256 | 1,815 |
| Auditor's remuneration | | |
| — Audit services | 5,510 | 6,500 |
| — Non-audit services | 1,528 | 297 |
| Others | 19,067 | 8,912 |
| | <hr/> | <hr/> |
| Total cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and impairment losses on intangible assets | <u><u>1,845,918</u></u> | <u><u>4,445,327</u></u> |

4. Other income

| | Year ended 31 December | |
|---|------------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 (Restated) |
| Government grants | 16,446 | 18,435 |
| Additional deduction of value-added tax | 5,661 | 15,634 |
| Dividend income | 3,317 | — |
| Others | 6 | 35 |
| | <u>25,430</u> | <u>34,104</u> |

5. Finance cost, net

| | Year ended 31 December | |
|---|------------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 (Restated) |
| Finance costs: | | |
| Interest expense on bank borrowings | 66,796 | 58,898 |
| Exchange losses, net | 22,262 | 52,445 |
| Adjustment of amortized cost of convertible bonds due to early redemption (<i>Note 12</i>) | 130,594 | — |
| Interest expense on convertible bonds (<i>Note 12</i>) | 78,563 | 70,284 |
| Interest expense on lease liabilities | 1,351 | 1,718 |
| Interest capitalized | (3,587) | (2,102) |
| | <u>295,979</u> | <u>181,243</u> |
| Finance income: | | |
| Interest income on bank deposits | (6,205) | (8,775) |
| | <u>(6,205)</u> | <u>(8,775)</u> |
| Finance costs, net | <u>289,774</u> | <u>172,468</u> |

6. Income tax (credit)/expense

The income (credit)/expense of the Group for the years ended 31 December 2023 and 2022 is analyzed as follows:

| | Year ended 31 December | |
|------------------------------------|------------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 (Restated) |
| Current income tax | 686 | 884 |
| Deferred income tax | (14,213) | 12,944 |
| Income tax (credit)/expense | (13,527) | 13,828 |

7. Losses per share and dividends

(a) Losses per share

(i) Basic

| | Year ended 31 December | | | | | |
|--|------------------------|-------------------------|-----------|-----------------------|-------------------------|-------------|
| | 2023 | | Total | 2022 | | Total |
| | Continuing Operations | Discontinued Operations | | Continuing Operations | Discontinued Operations | |
| Loss attributable to owners of the Company (RMB'000) | (453,381) | (102,966) | (556,347) | (2,429,874) | (62,419) | (2,492,293) |
| Weighted average number of shares in issue (thousands) | 1,410,398 | 1,410,398 | 1,410,398 | 1,386,326 | 1,386,326 | 1,386,326 |
| Basic losses per share (in RMB) | (0.32) | (0.07) | (0.39) | (1.75) | (0.05) | (1.80) |

Basic losses per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

(ii) *Diluted*

As the Group incurred loss for the years ended 31 December 2023 and 2022, the impact of the share options and awarded shares granted 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 years ended 31 December 2023 and 2022 are the same as basic losses per share.

(b) *Dividends*

The Board has resolved that no dividend shall be declared for the years ended 31 December 2023 and 2022.

8. **Intangible assets**

| | Game intellectual properties and licenses | Computer software | Capitalized development costs for internal use software | Total |
|------------------------------------|--|------------------------------|--|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Year ended 31 December 2022 | | | | |
| Opening net book amount | 1,690,382 | 2,229 | 1,518 | 1,694,129 |
| Additions | 261,276 | 457 | — | 261,733 |
| Amortization charge (a) | (208,233) | (1,615) | (1,518) | (211,366) |
| Impairment (b) | (752,293) | — | — | (752,293) |
| Currency translation differences | 12,515 | — | — | 12,515 |
| | <u>1,003,647</u> | <u>1,071</u> | <u>—</u> | <u>1,004,718</u> |
| Closing net book amount | <u>1,003,647</u> | <u>1,071</u> | <u>—</u> | <u>1,004,718</u> |
| At 31 December 2022 | | | | |
| Cost | 2,513,531 | 39,160 | 77,602 | 2,630,293 |
| Accumulated amortization | (851,938) | (38,089) | (77,602) | (967,629) |
| Accumulated impairment (b) | (657,946) | — | — | (657,946) |
| | <u>1,003,647</u> | <u>1,071</u> | <u>—</u> | <u>1,004,718</u> |
| Net book amount | <u>1,003,647</u> | <u>1,071</u> | <u>—</u> | <u>1,004,718</u> |

| | Game intellectual properties and licenses <i>RMB'000</i> | Computer software <i>RMB'000</i> | Capitalized development costs for internal use software <i>RMB'000</i> | Total <i>RMB'000</i> |
|------------------------------------|--|--|---|-------------------------|
| Year ended 31 December 2023 | | | | |
| Opening net book amount | 1,003,647 | 1,071 | — | 1,004,718 |
| Additions | 83,503 | 915 | — | 84,418 |
| Amortization charge (a) | (101,432) | (792) | — | (102,224) |
| Impairment (b) | (23,245) | — | — | (23,245) |
| Disposals | — | (279) | — | (279) |
| Currency translation differences | 2,147 | — | — | 2,147 |
| | <u>964,620</u> | <u>915</u> | <u>—</u> | <u>965,535</u> |
| Closing net book amount | <u>964,620</u> | <u>915</u> | <u>—</u> | <u>965,535</u> |
| At 31 December 2023 | | | | |
| Cost | 2,091,211 | 38,921 | 77,602 | 2,207,734 |
| Accumulated amortization | (798,136) | (38,006) | (77,602) | (913,744) |
| Accumulated impairment (b) | (328,455) | — | — | (328,455) |
| | <u>964,620</u> | <u>915</u> | <u>—</u> | <u>965,535</u> |
| Net book amount | <u>964,620</u> | <u>915</u> | <u>—</u> | <u>965,535</u> |

(a) *Amortization charges for intangible assets*

Amortization charges were expensed in the following categories in the consolidated statement of comprehensive income:

| | Year ended 31 December | |
|-------------------------------------|-------------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of revenues | 84,199 | 190,665 |
| General and administrative expenses | 17,529 | 18,318 |
| Research and development expenses | 496 | 1,403 |
| Selling and marketing expenses | — | 980 |
| | <u>102,224</u> | <u>211,366</u> |

(b) Impairment for intangible assets

The impairment for intangible assets mainly represents impairment of game intellectual properties and licenses and is the excess amount of the carrying amount of the game intellectual properties and licenses fees to the game developers over the cash flow projections to be generated in the remaining contractual period.

During the year ended 31 December 2023, certain game intellectual properties and licenses which belong to the segment of game and information services were fully or partly impaired and impairment losses of RMB23,245,000 was charged to the consolidated statement of comprehensive income, as the Group has terminated its contract with content providers or further developing and launching these games would not generate sufficient profit to cover operation cost.

During the year ended 31 December 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB752,293,000 was charged to the consolidated statement of comprehensive income, as the Group decided not to further develop and launch certain games which missed the best time window for launching due to the progress of approval of publication numbers.

The Group's core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has continuously adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group's game business strategy in the future.

As certain game contracts have expired before 31 December 2023, the management expects that it is unlikely to reverse the impairment provision in the future, so part of the accumulated impairment of the game amounting to RMB352,736,000 (2022: RMB94,347,000) is written off, of which the related cost is RMB507,970,000 (2022: RMB154,382,000) and the responding accumulated amortization is RMB155,234,000 (2022: RMB60,035,000).

- (c)** As of 31 December 2023 and 2022, the Group's certain game intellectual properties and licenses with original cost of RMB157,000,000 and nil respectively were pledged to a bank to secure certain bank borrowings of the Group (Note 11), and they were fully amortized under the policy of the Group.

9. Trade receivables

| | As of 31 December | |
|------------------------------------|-----------------------|-----------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Third parties | 534,759 | 842,957 |
| Related parties | 11,642 | 31,968 |
| | <u>546,401</u> | <u>874,925</u> |
| Less: provision for impairment (b) | (177,141) | (149,993) |
| | <u><u>369,260</u></u> | <u><u>724,932</u></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 date are as follows:

| | As of 31 December | |
|--------------------|-------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Within 3 months | 139,876 | 240,231 |
| 3 months to 1 year | 55,411 | 270,370 |
| 1 to 2 years | 196,511 | 273,176 |
| 2 to 3 years | 132,152 | 89,065 |
| Over 3 years | 22,451 | 2,083 |
| | <u>546,401</u> | <u>874,925</u> |

- (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.

Movements in the provision for impairment of trade receivables are as follows:

| | Year ended 31 December | |
|--|-------------------------------|-----------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | 149,993 | 87,087 |
| Provision for impairment | 210,276 | 167,899 |
| Receivables written off during the period as uncollectible | (183,128) | (104,993) |
| At the end of the year | <u>177,141</u> | <u>149,993</u> |

The provisions for impaired receivables have been included in “net impairment losses on financial assets” in the consolidated statement of comprehensive income.

- (c) The carrying amount of the Group’s trade receivables is denominated in the following currencies:

| | As of 31 December | |
|-----|--------------------------|-----------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| RMB | 541,847 | 869,833 |
| USD | 4,554 | 5,092 |
| | <u>546,401</u> | <u>874,925</u> |

- (d) As of 31 December 2023 and 2022, 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 31 December 2023 and 2022, trade receivables of RMB111,893,000 and RMB65,738,000 respectively were pledged to banks to secure certain bank facilities granted to the Group.

10. Prepayments and other receivables

| | As of 31 December | |
|--|-------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Prepayments | | |
| Prepaid revenue sharing to content providers (a) | 663,824 | 866,765 |
| Prepaid advertising expenses (b) | 342,923 | 376,609 |
| Recoverable value-added tax | 11,569 | 29,090 |
| Prepayment to related parties | 6,604 | 6,938 |
| Others | 14,403 | 33,747 |
| | <u>1,039,323</u> | <u>1,313,149</u> |
| Less: provision for impairment (e) | <u>(199,656)</u> | <u>(380,628)</u> |
| | <u>839,667</u> | <u>932,521</u> |
| Less: non-current Prepayment | — | (920) |
| | <u>839,667</u> | <u>931,601</u> |
| Other receivables | | |
| Loans to third parties (c) | 202,107 | 238,091 |
| Loans to shareholders | 74,126 | 86,157 |
| Amounts due from related parties | 10,820 | 16,538 |
| Rental and other deposits | 3,644 | 12,258 |
| Loans to employees (d) | 969 | 1,879 |
| Others | 24,052 | 20,667 |
| | <u>315,718</u> | <u>375,590</u> |
| Less: provision for impairment | <u>(98,894)</u> | <u>(203,843)</u> |
| | <u>216,824</u> | <u>171,747</u> |
| Less: non-current other receivables | (72,620) | (90,262) |
| | <u>144,204</u> | <u>81,485</u> |

- (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 represented the loans provided to a number of third parties, which were mainly unsecured, interest free except a loan that was interest-bearing fixed 4.35% per annum. In the opinion of the directors, none of the loans to any single third parties is material to the Group during the year ended 31 December 2023.
- (d) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and to be repaid in 1 to 5 years from the grant dates.
- (e) Movements in the provision for impairment of prepayments as follows:

| | Year ended 31 December | |
|-------------------------------------|-------------------------------|-----------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | 380,628 | 9,873 |
| Provision for impairment | 40,731 | 533,135 |
| Written off during the year | (221,703) | (162,380) |
| | <hr/> | <hr/> |
| At the end of the year | <u>199,656</u> | <u>380,628</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 cash flow projections to be generated in the remaining contractual period.

During the year ended 31 December 2023, certain game intellectual properties and licenses which belong to the segment of game and information services were fully or partly impaired and impairment losses of RMB40,731,000 was charged to cost of revenues in the consolidated statement of comprehensive income, as the Group has terminated its contract with content providers or further developing and launching these games would not generate sufficient profit to cover operation cost.

During the year ended 31 December 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB533,135,000 was charged to cost of revenues in the consolidated statement of comprehensive income, as the Group decided not to further develop and launch certain games which missed the best time window for launching due to the progress of approval of publication numbers.

The Group’s core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has continuously adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group’s game business strategy in the future.

- (f) As of 31 December 2023 and 2022, the carrying amount of other receivables were primarily denominated in RMB and USD and approximated their fair value at each of the reporting date.

11. Borrowings

| | As of 31 December | |
|--|--------------------------|-------------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Included in non-current liabilities | | |
| Secured bank borrowings | <u>123,526</u> | — |
| | 123,526 | — |
| Included in current liabilities | | |
| Secured bank borrowings | 712,898 | 508,400 |
| Current portion of long-term bank borrowings, secured | 40,000 | 482,841 |
| Secured other borrowings | <u>90,000</u> | <u>20,000</u> |
| | <u>842,898</u> | <u>1,011,241</u> |
| | <u>966,424</u> | <u>1,011,241</u> |

As at 31 December 2023, the Group's long-term bank borrowings bear weighted average interest rate of 4.77% (2022: 4.19%) per annum, and the short-term bank borrowings bear weighted average interest rate of 6.21% (2022: 5.57%) per annum.

12. Convertible bonds

(a) 2025 Convertible Bonds

On 6 October 2020, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD775,000,000 (equivalent to approximately RMB692,284,000) due 16 October 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 16 October 2020, the 2025 Convertible Bonds were issued. The holder of each 2025 Convertible Bonds will have the right at holder's option, to require the Group to redeem all or some only of such holder's bonds on 16 October 2023. The 2025 Convertible Bonds are guaranteed by the Company.

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

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

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

During 2023, the Company revised its estimates of 2025 Convertible Bonds contractual cash flows by discounting the revised future contractual cash flows using original effective interest rate to reflect the estimation on exercise of the early redemption, and adjusted the gross carrying amount of the amortised cost of the liability component of 2025 Convertible Bonds. The difference was recognised in profit and loss.

In July 2023, the Company entered into an agreement with a dealer pursuant to which a repurchase offer was made to the holder of the 2025 Convertible Bonds. On 24 July 2023 (the “**Repurchase Date**”), the Company completed the repurchase of the 2025 Convertible Bonds in the principal amount of HK\$758,000,000 (representing approximately 97.8% of the initial aggregate principal amount of HK\$775,000,000) for a total cash consideration of HK\$749,329,726 (the “**Repurchase Price**”).

The repurchase price is allocated between the liability component and the equity component on the same basis as used in the original allocation process. Any difference between the consideration payable allocated to the liability component and the carrying amount of the liability component is recognised in profit or loss. The difference between the consideration payable allocated to the equity component and the carrying amount of the equity component of RMB17,265,000 was recognised in equity. As a result of the repurchase of the 2025 Convertible Bonds, the equity component initially recognised in other reserve was transferred to capital reserve. The cash settlement of the Repurchase Price was financed by the Company's newly issued 164,177,200 ordinary shares on 18 July 2023 and the newly issued HK\$386,000,000 convertible bonds on 24 July 2023 (the “**2028 Convertible Bonds**”).

The Company further repurchased the remaining principal amount of HK\$17,000,000 of the 2025 Convertible Bonds on 16 October 2023, and pursuant to the original terms of the 2025 Convertible Bonds, the remaining principal and interest in the sum of HK\$17,264,897 were settled in one lump sum.

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

| | Liability <i>RMB'000</i> | Capital reserves <i>RMB'000</i> | Other reserves <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------------|---|---|--------------------------------|
| As of 1 January 2022 | 401,461 | — | 262,620 | 664,081 |
| Interest expenses | 70,284 | — | — | 70,284 |
| Coupon interests paid | (20,104) | — | — | (20,104) |
| Currency translation differences | 40,620 | — | — | 40,620 |
| | <u>492,261</u> | <u>—</u> | <u>262,620</u> | <u>754,881</u> |
| As of 31 December 2022 | <u>492,261</u> | <u>—</u> | <u>262,620</u> | <u>754,881</u> |
| As of 1 January 2023 | 492,261 | — | 262,620 | 754,881 |
| Interest expenses | 59,282 | — | — | 59,282 |
| Coupon interests paid | (10,897) | — | — | (10,897) |
| Changes on estimation for early redemption | 130,594 | — | — | 130,594 |
| Repurchase | (683,403) | 245,355 | (262,620) | (700,668) |
| Currency translation differences | 12,163 | — | — | 12,163 |
| | <u>—</u> | <u>245,355</u> | <u>—</u> | <u>245,355</u> |
| As of 31 December 2023 | <u>—</u> | <u>245,355</u> | <u>—</u> | <u>245,355</u> |

(b) 2028 Convertible Bonds

In July 2023, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD386,000,000 (equivalent to approximately RMB352,804,000) due 24 July 2028, with an initial conversion price of HKD3.64 per share. The 2028 Convertible Bonds bear interest rate of 5% 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 HKD3.64 per share. On 24 July 2023, the 2028 Convertible Bonds were issued. The holder of each 2028 Convertible Bonds will have the right at holder's option, to require the Group to redeem all or some only of such holder's bonds on 24 July 2026.

The 2028 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 2028 Convertible Bonds to require the Company to redeem the 2028 Convertible Bonds; and the fair value of the option of the Company to redeem the 2028 Convertible Bonds. These embedded redemption options are closely related to the host debt as the redemption amount is principal amount together with accrued but unpaid interest, therefore they are not able to be accounted for separately. The initial value of the liability component and the fair value of the imbedded redemption options were recognized as a single liability component, and it subsequently carried at amortized cost.
- Equity component, being the conversion option of the 2028 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 2028 Convertible Bonds is set out as follows:

| | Liability <i>RMB'000</i> | Equity <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------------|---------------------------------|--------------------------------|
| As of 1 January 2023 | — | — | — |
| Carrying amount on initial recognition | 219,751 | 126,702 | 346,453 |
| Interest expenses | 19,281 | — | 19,281 |
| Currency translation differences | (1,735) | — | (1,735) |
| As of 31 December 2023 | <u>237,297</u> | <u>126,702</u> | <u>363,999</u> |

Interest expense is calculated by applying the effective interest rate of 20.20% per annum to the liability component.

As of 31 December 2023, there has been no conversion of the 2028 Convertible Bonds.

13. Trade payables

| | As of 31 December | |
|-----------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Third parties | 233,436 | 392,851 |
| Related parties | 39,979 | 50,647 |
| | <u>273,415</u> | <u>443,498</u> |

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.

14. Other payables and accruals

| | As of 31 December | |
|--|-----------------------|-----------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Payroll and welfare payables | 58,635 | 98,230 |
| Other tax payables | 26,901 | 36,430 |
| Other payables due to related parties | 25,858 | 30,507 |
| Other payables to construction in progress | 11,191 | 21,254 |
| Professional service fee payable | 5,029 | 6,422 |
| Advance from business partners | 11,794 | 5,362 |
| Interest payable | 1,631 | 1,480 |
| Others | 11,078 | 25,002 |
| | <hr/> | <hr/> |
| | <u>152,117</u> | <u>224,687</u> |

As of 31 December 2023 and 2022, other payables and accruals were denominated in RMB and USD and the fair values of these balances approximated to their carrying amounts.

OTHER INFORMATION

COMPLIANCE WITH 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 adopted the CG Code as its own code of corporate governance during the Reporting Period.

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

Currently, Mr. Chen Xiangyu performs both the roles of chairman and chief executive officer of the Company. Due to Mr. Chen Xiangyu's background, qualifications and experience in the Company, he is considered the best candidate for both positions under the present circumstances. The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Chen Xiangyu to hold both positions at the current stage as it helps to maintain the continuity of the Company's policies and the stability and efficiency of the Company's operations.

During the daily operations of the Company, all material decisions are approved by the Board and the relevant Board Committees, as well as the senior management team. In addition, the Directors actively participate in all Board meetings and relevant Board committee meetings, and the Chairman ensures that all Directors are properly informed of all matters to be approved at the meetings. In addition, the senior management team provides the Board with sufficient, clear, complete and reliable company information on a regular basis and from time to time. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. Chen Xiangyu.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Board considered that the dealing prices of the Company's Shares at the time did not reflect their intrinsic value, and the Share repurchase program could reflect the Board's confidence in the Company's long-term development prospects and growth potential as well. During the Reporting Period, the total number of Shares repurchased by the Company on the Stock Exchange were 1,130,800, at a total consideration (before deduction of expenses) of HK\$3,451,332. As at the date of this announcement, the aforesaid Shares have not been canceled yet.

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

| Month | Number of Shares repurchased | Highest purchase price per Share HK\$ | Lowest purchase price per Share HK\$ | Total consideration (before deduction of expenses) HK\$ |
|----------------|---|--|---|--|
| September 2023 | 806,000 | 3.22 | 3.02 | 2,556,428.00 |
| October 2023 | 324,800 | 2.93 | 2.65 | 894,952.00 |
| | <u>1,130,800</u> | | | <u>3,451,380.00</u> |

Save as disclosed in the "SECURITIES ISSUANCE AND USE OF PROCEEDS" in this announcement and above, the Group had not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023. The Audit Committee has also reviewed the accounting principles and practises adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.idreamsky.com), and the annual report of the Group containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company 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 |
| “Auditor” | PricewaterhouseCoopers, the independent auditor of the Company |
| “Board” | the board of Directors of the Company |
| “CG Code” | the Corporate Governance Code as set out in the Appendix C1 (former Appendix 14) to the Listing Rules |

| | |
|--|--|
| “Company” or “our Company” or “iDreamSky” | iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 1119 |
| “Director(s)” | the director(s) of the Company |
| “EUR” | Euro, the legal currency of the member states of the European Union |
| “Group” or “our Group” or “we” or “us” | the Company, its subsidiaries and its PRC Consolidated Affiliated Entities from time to time |
| “HK\$” or “HKD” | Hong Kong dollars, the legal currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “IFRS(s)” | International Financial Reporting Standards |
| “IP(s)” | intellectual property(ies) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MAU” | monthly active users |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (former Appendix 10) to the Listing Rules |
| “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 which controlled by the Company through the Contractual Arrangements, namely Shenzhen iDreamSky Technology Co., Ltd. (深圳市創夢天地科技有限公司) and its subsidiaries |
| “Reporting Period” | the year ended 31 December 2023 |

| | |
|---------------------------------|--|
| “RMB” | Renminbi, the legal currency of the PRC |
| “Role Playing Game” or “RPG(s)” | games in which users assume the roles of characters in a fictional setting |
| “Share(s)” | ordinary share(s) with a nominal value of USD0.0001 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | 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 |
| “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. (上海火魂網絡科技有限公司), which changed its name to Tianjin Huohun Internet Technology Co., Ltd. in January 2022 |
| “USD” or “US\$” | 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

Shenzhen, the PRC, 28 March 2024

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.