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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 DECEMBER 31, 2018**

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2018. 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**

	<b>For the year ended December 31</b>			
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	1,566,684	1,480,792	1,763,548	<b>2,364,641</b>
Gross profit	589,361	544,131	709,428	<b>1,038,823</b>
Profit before income tax	98,239	16,801	173,692	<b>297,047</b>
Profit for the year	74,382	5,121	151,904	<b>267,833</b>
Adjusted net profit*	169,292	176,038	238,347	<b>443,640</b>

\* To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit 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 net profit was derived from our profit for the year excluding share-based compensation expenses, listing expenses and fair value gains or losses on financial assets, if any.

## BUSINESS REVIEW AND OUTLOOK

### 2018 Results Highlights

In 2018, we achieved 34.1% year-on-year growth in our revenue. Game revenue and information service revenue were the key drivers for the overall revenue growth.

Operating profit grew by 56.5% year-on-year. Operating margin was 13.9%, representing an increase of 2.0 percentage point from the previous year.

Profit for the year increased by 76.3% year-on-year. Adjusted net profit for the year increased by 86.1%.

Our average MAUs increased from 122.2 million in 2017 to 129.2 million in 2018. During the same period, our average MPUs increased from 6.0 million in 2017 to 6.7 million in 2018, and our monthly ARPPU increased from RMB21.5 in 2017 to RMB24.5 in 2018.

In 2018, we have received various awards and recognitions in the PRC, such as “Golden Diamond Award — the Most Influential Enterprise” awarded by Guangdong Entertainment & Game Industry Association, and our game, *Gardenscapes* (夢幻花園), was rewarded as the “Golden Diamond Award — Most Popular Game of the Year”.

### Business Review

In 2018, our growth has been driven by our philosophy of *iDreamSky Flywheel* (創夢飛輪), which represents a self-spinning and reinforcing growth cycle empowered by each of the accelerating components.

#### — Continuously offer high quality digital contents to users

High quality contents are the core of our growth philosophy. We strived to offer a wide variety of high quality contents, such as games, comics, animation, TV play and interactive story to our users.

- **High quality games.** We actively cooperate with domestic and overseas well-known enterprises, with game products in a variety of game genre. As of December 31, 2018, we had 59 games, including 17 RPGs, eight matching puzzle games, 13 casual competition games, 7 endless running games and 14 other games. In 2018, we launched a number of new games, such as *FIFPro World Players' Union* (全民冠軍足球) (sports game) and *Cross Gate* (魔力寶貝) (turn-based game).

- **Other digital contents.** With the diversified forms of digital contents, we simultaneously develop our core business, namely, comics, animation, TV play and interactive story in the digital contents segment.
- **Comics.** In 2018, our original online comic book, *The Way from Zero to One* (零一之道), was published on *Tencent Comic* reaching reader volume of more than 100 million. We have acquired and maintained core user base through comics, and on this basis, the comics will be further adapted to online games, thereby providing our users with more diversified entertainment contents.
- **Animation.** In 2018, we commenced animation production of the top-tier comic book, *Me, The Almighty God* (我是大神仙) in cooperation with Tencent. We present our comic contents by way of animation, with top-tier animation production and dubbing by famous voice actors in China and in a more vivid and sensational form, to further enhance the influence and commercial value of the animation. Also, the cooperation with Taiwan Tong Li Publishing Co. (台灣東立出版社) to develop *The Ravages of Time* (火鳳燎原) into animation was formally confirmed this year.
- **TV play.** We produced the TV play *The Naive Pilgrimage to the West* (天真派西遊記) jointly with Tianjin Dingdong Cultural Media Co., Ltd. (天津叮咚文化傳媒有限公司), and are entitled to the right of adaption and the right of priority in the development of peripheral products, such as online games.
- **Interactive story.** This year, we independently developed the mobile platform *Dramabook* (會演互動), which contains the functions that multiple plots can be chosen by the users, allowing the users to immerse themselves in the contents and attracting more young users with innovative concepts.
- **Effectively attract users and build a large user base by high quality contents**

In 2018, we launched a number of top casual games, such as *CATS: Crash Area Turbo Stars* (喵星大作戰) and *Terraria* (泰拉瑞亞) and acquired and maintained large user base with several boutique games, such as *Subway Surfers* (地鐵跑酷), *Temple Run 2* (神廟逃亡2) and *Gardenscapes* (夢幻花園).

In 2018, through cooperation with the emerging mobile promotional channels (such as short video platforms), upgrading our advertising platform, established exclusive data management platform (DMP), we made our advertisement more accurately and intelligently and thereby lowering user acquisition cost. Meanwhile, through the extensive coverage of *Wechat Mini Programs*, we directed the traffic to our games through word-of-mouth referrals by our existing users, and through cooperation with offline channels, we increased the numbers of users in small and medium-sized cities and rural areas, thereby expanding our user coverage. Our average MAUs in 2018 reached 129.2 million, representing a year on year increase of 5.7%.

— **Enhance user stickiness and engagement by offering diversified digital contents both online and offline**

Based on a large user base, we launched online user services system, including IPG membership system, *WePlay APP* and other applications, and further explored the social functions in games, so as to better manage users and improve user stickiness and engagement.

We established *Great Moments Voyage* (好時光影遊社), a brand of offline experiential store, in cooperation with Tencent to build an online and offline destination for entertainment around the clock. As of December 31, 2018, we have 16 *Great Moments Voyage* experiential stores in China with 2 stores through self-operation and 14 stores through cooperation with local partners. It integrates movies, games, e-sports and game related merchandise, and diversified immersive experience to users. This not only capitalizes on the enormous online resources and fan base to the offline but also realises consumption through interactive and immersive entertainment facilities. We managed to convert users to our online members by way of offline operational activities, and to accumulate the numbers of our members through *Wechat Mini Programs* and *Wechat Official Account*.

— **Maximize user value and achieve strong monetization through data-driven operation**

Driven by the enhanced operation capability with deep understanding of user behavior as well as diversified methods of monetization, we continuously improved our capability of commercialization. Through robust data analysis, we had deep understanding of users' behavior, and accordingly, we increased our paying user rates and ARPPU and expanded the numbers of paying users by optimizing product contents and launching the appropriate operational activities. Our paying user rates increased from 4.9% in 2017 to 5.4% in 2018, and our ARPPU increased by 14% from RMB21.5 to RMB24.5 in the corresponding period.

Meanwhile, we were active in expanding diversified ways of monetization, including advertisement to further achieve successful commercialization.

— **Continually cooperate with top-tier content providers and empower our game development capability through successful commercialization, which sustain our supply of quality content**

We have closely cooperated with global well-known content providers, such as Tencent and Shanda Games to continuously obtain quality game contents. Through cooperation with Tencent Games, our self-developed game, *Cross Gate (Mobile version)* (魔力寶貝(手機版)), recorded a gross billing of over 200 million in the first 30 days after its launch, and we also launched the *FIFPro World Player's Union* (全民冠軍足球) on Tencent's game platforms.

## Outlook

In 2019, we will continue to provide users with high quality contents, further develop in-depth user service system, continuously enhance research and development and improve commercialization capabilities, and build an online and offline destination of choice for entertainment around the clock.

Our development plans include:

- Continuously sourcing quality game contents globally and acquiring source codes of games from global top-tier content providers. In 2019, we will publish more than 20 new games, including anime collectible card games *Rakshasa Street* (鎮魂街) and *Mob Psycho 100* (路人超能100), a MMORPG game *Dark Blood* (暗黑熱血)\* and a real-time strategy game *Art of War 3* (全球行動)\* which will be published on Tencent's game platforms;
- Strengthening our in-house development capacity with a focus on innovation and continuously creating quality contents in the areas of games, comics, animation and interactive story;
- Continuously providing diversified digital entertainment services, further expanding our user base (in particular, the young users and female users), effectively attracting users through providing benefits under the membership system, and enhancing user participation;
- Improving and diversifying offline immersive experience, enriching type of offline entertainment, and increasing the number of our stores, particularly through cooperation;
- Continuously enhancing R&D and improve monetization capabilities. In 2019, we will make a breakthrough on aspects such as big data analysis, upgrading of advertising platforms, e-commerce on games, and application of artificial intelligence; and
- Strengthening the strategic investment deployment, connecting industrial resources, and developing the digital entertainment platform comprehensively.

\* This is a temporary name of the game, and may be subject to change.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

		<b>Year ended December 31,</b>	
		<b>2018</b>	<b>2017</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	3	<b>2,364,641</b>	1,763,548
Cost of revenues	4	<b>(1,325,818)</b>	(1,054,120)
<b>Gross profit</b>		<b>1,038,823</b>	709,428
Selling and marketing expenses	4	<b>(303,373)</b>	(203,073)
General and administrative expenses	4	<b>(284,655)</b>	(203,119)
Research and development expenses	4	<b>(99,102)</b>	(105,742)
Net impairment losses on financial assets and contract assets	4	<b>(30,189)</b>	(10,625)
Other income		<b>15,249</b>	30,809
Other gains/(losses), net		<b>3,244</b>	(5,579)
Fair value losses on financial assets at fair value through profit or loss		<b>(10,631)</b>	(1,708)
<b>Operating profit</b>		<b>329,366</b>	210,391
Finance income		<b>16,358</b>	7,670
Finance costs		<b>(51,023)</b>	(45,476)
Finance cost, net		<b>(34,665)</b>	(37,806)
Share of net profits of investments accounted for using the equity method		<b>2,346</b>	1,107
<b>Profit before income tax</b>		<b>297,047</b>	173,692
Income tax expense	5	<b>(29,214)</b>	(21,788)
<b>Profit for the year</b>		<b>267,833</b>	151,904
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
— Currency translation differences		<b>39,532</b>	19,632
<b>Total comprehensive income for the year</b>		<b>307,365</b>	171,536

		Year ended December 31,	
		2018	2017
	Notes	RMB'000	RMB'000
<b>Profit for the year attributable to:</b>			
— Equity holders of the Company		246,384	150,134
— Non-controlling interests		21,449	1,770
		<u>267,833</u>	<u>151,904</u>
<b>Total comprehensive income attributable to:</b>			
— Equity holders of the Company		285,916	169,766
— Non-controlling interests		21,449	1,770
		<u>307,365</u>	<u>171,536</u>
			(Restated)
<b>Earning per share</b>			
— Basic earnings per share ( <i>in RMB</i> )	6	<u>0.23</u>	<u>0.15</u>
— Diluted earnings per share ( <i>in RMB</i> )	6	<u>0.23</u>	<u>0.15</u>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		As at December 31,	
		2018	2017
	Notes	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		26,893	27,575
Intangible assets		682,702	305,519
Investments accounted for using the equity method		284,896	174,485
Financial assets at fair value through profit or loss		267,506	214,841
Prepayments and other receivables		41,480	4,489
Goodwill		989,233	—
Contract asset		21,653	—
Deferred tax assets		36,496	21,745
		<u>2,350,859</u>	<u>748,654</u>
<b>Current assets</b>			
Trade receivables	7	820,894	630,216
Amounts due from related parties		39,032	16,192
Prepayments and other receivables		1,031,745	670,473
Contract asset		26,440	—
Contingent consideration assets		20,089	—
Contract costs		119,824	93,915
Financial assets at fair value through profit or loss		87,547	—
Restricted cash		—	7,800
Cash and cash equivalents		1,121,641	605,075
		<u>3,267,212</u>	<u>2,023,671</u>
<b>Total assets</b>		<u><u>5,618,071</u></u>	<u><u>2,772,325</u></u>

		<b>As at December 31,</b>	
		<b>2018</b>	<b>2017</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		<b>75</b>	—
Share premium		<b>2,542,476</b>	—
Reserves		<b>254,552</b>	1,224,591
Retained earnings		<b>329,898</b>	106,781
		<b>3,127,001</b>	1,331,372
<b>Non-controlling interests</b>		<b>51,105</b>	5,322
<b>Total equity</b>		<b>3,178,106</b>	1,336,694
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>129,805</b>	3,159
Deferred government grants		<b>5,429</b>	15,580
		<b>135,234</b>	18,739
<b>Current liabilities</b>			
Borrowings		<b>984,357</b>	996,929
Trade payables	8	<b>153,001</b>	149,540
Amounts due to related parties		<b>21,159</b>	—
Other payables and accruals		<b>885,046</b>	91,340
Income tax liabilities		<b>40,766</b>	19,918
Deferred government grants		<b>11,626</b>	4,355
Contract liabilities		<b>208,776</b>	154,810
		<b>2,304,731</b>	1,416,892
<b>Total liabilities</b>		<b>2,439,965</b>	1,435,631
<b>Total equity and liabilities</b>		<b>5,618,071</b>	2,772,325

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** **FOR THE YEAR ENDED DECEMBER 31, 2018**

	Attributable to equity holders of the Company							
	Capital reserve RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Non- controlling interests RMB'000	Total RMB'000
Balance at January 1, 2017	10,000	15,937	5,000	(25,928)	546,323	(27,170)	1,002	525,164
Profit for the year	—	—	—	—	—	150,134	1,770	151,904
Other comprehensive income	—	—	—	—	—	—	—	—
— Currency translation differences	—	—	—	19,632	—	—	—	19,632
Total comprehensive income for the year	—	—	—	19,632	—	150,134	1,770	171,536
Transactions with owners								
Capital injection from equity holders of the Company's subsidiary	30,536	1,013,746	—	—	—	—	—	1,044,282
Capital injection from non-controlling shareholders of the Company's subsidiary	—	—	—	—	—	—	2,550	2,550
Profit appropriation to statutory reserves	—	—	9,482	—	—	(9,482)	—	—
Share-based compensation expenses	—	—	—	—	86,052	—	—	86,052
Effects on restructuring of the Listing Business	—	(492,890)	—	—	—	—	—	(492,890)
Effects on a subsidiary's conversion from a limited liability company into a joint stock company	320,364	(308,663)	(5,000)	—	—	(6,701)	—	—
Total transactions with owners recognized directly in equity for the year	350,900	212,193	4,482	—	86,052	(16,183)	2,550	639,994
Balance at December 31, 2017	360,900	228,130	9,482	(6,296)	632,375	106,781	5,322	1,336,694

Attributable to equity holders of the Company

	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non- controlling interests RMB'000	Total RMB'000
<b>Balance at January 1, 2018</b>	—	—	360,900	228,130	9,482	(6,296)	632,375	106,781	5,322	1,336,694
Profit for the year	—	—	—	—	—	—	—	246,384	21,449	267,833
Other comprehensive income	—	—	—	—	—	39,532	—	—	—	—
— Currency translation differences	—	—	—	—	—	39,532	—	—	—	39,532
<b>Total comprehensive income for the year</b>	—	—	—	—	—	39,532	—	246,384	21,449	307,365
<b>Transactions with owners</b>										
Capital reduction from equity holders of the Company's subsidiary	—	—	(2,250)	(47,750)	—	—	—	—	—	(50,000)
Effect of Reorganization of the Group	61	1,084,848	(358,650)	(180,380)	—	—	(545,818)	—	—	61
Capital injection from equity holders of the Company	5	753,766	—	—	—	—	—	—	—	753,771
Proceeds from initial public offering (“IPO”), net of transaction costs	9	703,862	—	—	—	—	—	—	—	703,871
Profit appropriation to statutory reserves	—	—	—	—	23,267	—	—	(23,267)	—	—
Share-based compensation expenses	—	—	—	—	—	—	85,910	—	—	85,910
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	17,434	17,434
Contributions from non-controlling shareholder of Shanghai Huohun	—	—	16,100	—	—	—	—	—	6,900	23,000
<b>Total transactions with owners recognized directly in equity for the year</b>	75	2,542,476	(344,800)	(228,130)	23,267	—	(459,908)	(23,267)	24,334	1,534,047
<b>Balance at December 31, 2018</b>	75	2,542,476	16,100	—	32,749	33,236	172,467	329,898	51,105	3,178,106

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	240,895	414,020
Income taxes paid	(34,495)	(29,946)
<b>Net cash inflow from operating activities</b>	<b>206,400</b>	<b>384,074</b>
<b>Cash flows from investing activities</b>		
Interest received from wealth management products	868	5,851
Placement of wealth management products	(488,730)	(1,628,540)
Receipt from maturity of wealth management products	488,730	1,628,540
Proceeds from disposals of property, plant and equipment	200	107
Purchase of property, plant and equipment	(30,921)	(13,754)
Purchase of intangible assets	(472,152)	(160,313)
Loans to related parties	(34,094)	(17,044)
Repayment of loans due from related parties	10,052	20,247
Loans to third parties	(99,797)	(11,652)
Repayment of loans due from third parties	61,025	19,633
Investments in financial assets at fair value through profit or loss	(158,365)	(45,531)
Proceeds from disposal of financial assets at fair value through profit or loss	16,846	—
Investments in associates and joint ventures	(127,800)	(59,648)
Proceeds from disposal of investments in associates and joint ventures	10,080	—
Acquisition of a subsidiary, net of cash required	(337,420)	—
Prepayment for investments	(10,000)	—
<b>Net cash outflow from investing activities</b>	<b>(1,171,478)</b>	<b>(262,104)</b>

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities</b>		
Proceeds from capital injection from shareholders of a subsidiary	—	894,282
Proceeds from capital injection to the Company	<b>753,832</b>	—
Proceeds from capital injection from non-controlling shareholders of a subsidiary	—	2,550
Distribution and payments to the equity holders of the Group	<b>(50,000)</b>	(959,073)
Proceeds from borrowings	<b>300,000</b>	803,806
Repayment of borrowings	<b>(188,986)</b>	(140,585)
Loans from related parties	<b>21,159</b>	—
Repayment of loans due to related parties	—	(612,569)
Interest expenses paid	<b>(51,023)</b>	(45,476)
Proceeds from IPO, net of transaction costs	<b>688,864</b>	—
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>	<b>1,473,846</b>	(57,065)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>508,768</b>	64,905
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the financial year	<b>605,075</b>	543,376
Effects of exchange rate changes on cash and cash equivalents	<b>7,798</b>	(3,206)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,121,641</b>	605,075
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## Notes to the Consolidated Financial Statements:

### 1 General information

The Company was incorporated in the Cayman Islands on January 3, 2018 as an exempted company with limited liability. The address of the Company's registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities are principally engaged in the licensing and operating of single player mobile games and mobile online games (the “**Listing Business**”) in the PRC.

The Company has its primary listing on the Stock Exchange on December 6, 2018.

This consolidated financial statements for the year ended December 31, 2018 are presented in RMB, unless otherwise stated.

In preparation for the IPO and listing of the shares of the Company on the Stock Exchange, the Group underwent a reorganization (the “**Reorganization**”) to establish the Company as the ultimate holding company of the companies now comprising the Group which conduct the Listing Business.

### 2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

#### *(a) Application of IFRS 9 and IFRS 15*

IFRS 9 “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15, “Revenue from contracts with customers” replaces the previous revenue standards IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Group has elected to apply IFRS 9 and IFRS 15 consistently throughout the years ended December 31, 2018 and 2017.

(b) *New and amended standards adopted by the group*

The other new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on January 1, 2018, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(c) *New standards and interpretations that have been issued but not effective*

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

	<b>New standards, amendments and interpretations</b>	<b>Effective date</b>
IFRS 16 (ii)	Leases	Annual periods beginning on or after January 1, 2019
IFRS 17 (i)	Insurance contracts	Annual periods beginning on or after January 1, 2021
IFRIC 23 (i)	Uncertainty over income tax treatments	Annual periods beginning on or after January 1, 2019
IAS 19 (i)	'Employee benefits' on plan amendment, curtailment or settlement	Annual periods beginning on or after January 1, 2019
Amendments to IFRS 10 and IAS 28 (i)	Sale or contribution assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS (i)	Annual Improvements to IFRSs 2015–2017 Cycle	Annual periods beginning on or after January 1, 2019
Amendment to IAS 28 (i)	Long term interests in associates and joint ventures	Annual periods beginning on or after January 1, 2019
Amendment to IFRS 9 (i)	Prepayment features with negative compensation	Annual periods beginning on or after January 1, 2019



- (i) The Group has already commenced an assessment of the impact of these new or revised standards, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.
- (ii) The Group is a lessee of certain office spaces and servers which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.25, is to record the rental expenses in the Group's consolidated statements of comprehensive income for the current year with the related operating lease commitments being separately disclosed in Note 31. IFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognize leases outside of the statements of financial position. Instead, all non-current leases must be recognized in the form of assets (for the right of use) and lease liabilities (for the payment obligations) in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statements of financial position. In the consolidated statements of comprehensive income, as a result, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on or after January 1, 2019. As at December 31, 2018, the operating lease commitments of the Group amounted to RMB52,437,000, the impact of adoption of IFRS 16 is therefore not expected to have a significant effect on the financial statements of the Group.

### 3 Revenues

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Game revenue	<b>2,087,561</b>	1,535,018
Information service revenue	<b>269,962</b>	220,748
Other revenue	<b>7,118</b>	7,782
	<b><u>2,364,641</u></b>	<b><u>1,763,548</u></b>

#### 4 Expenses by Nature

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

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Channel costs	<b>975,182</b>	753,972
Employee benefits expenses	<b>236,142</b>	258,898
Promotion and advertising expenses	<b>297,883</b>	194,011
Revenue share to content providers	<b>215,188</b>	132,108
Amortization of intangible assets	<b>86,143</b>	75,613
Impairment provisions for intangible assets	<b>14,072</b>	33,344
Outsourcing expenses for technical services	<b>13,937</b>	20,151
Travelling and entertainment expenses	<b>17,496</b>	18,905
Professional service fees	<b>88,522</b>	17,395
Cloud computing, bandwidth and server custody fees	<b>26,416</b>	15,396
Rental expenses	<b>18,146</b>	14,346
Impairment provisions for receivables and contract assets	<b>30,189</b>	10,625
Impairment provisions for prepayments	<b>7,967</b>	8,403
Depreciation of property and equipment	<b>7,693</b>	7,862
Auditor's remuneration		
— Audit services	<b>3,200</b>	—
— Non-audit services	<b>—</b>	—
Other tax expenses	<b>2,728</b>	2,479
Others	<b>2,233</b>	13,171
<b>Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses</b>	<b><u>2,043,137</u></b>	<b><u>1,576,679</u></b>

## 5 Income tax expense

The income tax expense of the Group for the years ended December 31, 2017 and 2018 is analyzed as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
<b>Current income tax:</b>		
— PRC corporate income tax	43,965	29,926
<b>Deferred income tax:</b>		
— Origination and reversal of temporary differences	(14,751)	(8,138)
<b>Income tax expense</b>	<b>29,214</b>	<b>21,788</b>

## 6 Earnings per share and dividends

### (a) Earnings per share

#### (i) Basic

	Year ended December 31,	
	2018	2017
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	246,384	150,134
Weighted average number of shares in issue (thousands)	1,060,334	1,005,811
Basic earnings per share (in RMB)	<b>0.23</b>	<b>0.15</b>

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective year/period. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation.

(ii) *Diluted*

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

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
		<b>(Restated)</b>
Profit attributable to equity holders of the Company ( <i>RMB'000</i> )	<b>246,384</b>	150,134
Weighted average number of shares in issue ( <i>thousands</i> )	<b>1,060,334</b>	1,005,811
Adjustments for employee incentive plan ( <i>thousands</i> )	<b>19,796</b>	—
	<hr/>	<hr/>
Weighted average number of shares for calculating diluted earnings per share ( <i>thousands</i> )	<b>1,080,130</b>	1,005,811
	<hr/>	<hr/>
Diluted earnings per share ( <i>in RMB</i> )	<b>0.23</b>	0.15
	<hr/>	<hr/>

(iii) *Earnings per share (restated)*

On December 6, 2018, each issued and unissued share of a par value of USD0.0001 each in the capital was subdivided into 10 shares of par value of USD0.00001 each. According to IAS 33, the weighted average number of ordinary shares outstanding during the period and all periods should be adjusted, and the EPS figure disclosed for previous year should be recalculated. Therefore, the basic and diluted earnings per share for the year ended December 31, 2017 have been restated from RMB1.49 to RMB0.15 respectively.

(b) *Dividends*

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2018 (2017:Nil).

## 7 Trade receivables

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Third party payment channels and mobile carriers	<b>76,687</b>	163,211
Third party distribution channels	<b>592,963</b>	341,716
Advertising customers	<b>132,848</b>	112,349
Related parties	<b>57,151</b>	30,223
	<b>859,649</b>	647,499
Less: provision for impairment	<b>(38,755)</b>	(17,283)
	<b>820,894</b>	630,216

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

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 3 months	<b>390,562</b>	270,127
3 months to 1 year	<b>389,012</b>	270,385
1 to 2 years	<b>48,438</b>	96,833
2 to 3 years	<b>26,719</b>	10,147
Over 3 years	<b>4,918</b>	7
	<b>859,649</b>	647,499

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the years ended December 31, 2017 and 2018, the expected losses rate for third party payment channels and mobile carriers and related parties is close to zero; the expected credit losses rate for third party distribution channels and advertising customers are determined according to provision matrix as follows:

	<b>Third party distribution channels</b>	<b>Advertising customers</b>
Within 3 months	3%	1%
3 months to 1 year	5%	2%
1 to 2 years	8%	5%
2 to 3 years	50%	50%
Over 3 years	100%	100%

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

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>At the beginning of the year</b>	<b>17,283</b>	7,223
Acquisition of a subsidiary	<b>1,300</b>	—
Provision for impairment	<b>21,188</b>	10,060
Receivables written off during the year as uncollectible	<b>(1,016)</b>	—
<b>At the end of the year</b>	<b><u>38,755</u></b>	<b><u>17,283</u></b>

The provisions and reversal of provisions for impaired receivables have been included in “general and administrative expenses” in the consolidated income statement.

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

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
RMB	<b>857,373</b>	638,210
USD	<b>2,276</b>	9,289
	<b><u>859,649</u></b>	<b><u>647,499</u></b>

## 8 Trade payables

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Third parties	<b>121,192</b>	120,399
Related parties	<b>31,809</b>	29,141
	<b><u>153,001</u></b>	<b><u>149,540</u></b>

Trade payables are primarily related to the purchase of services for server custody, game licenses, and the revenue collected by the Group which is to be shared to cooperated game developers according to respective cooperation agreements. The credit terms of trade payables granted to the Group are usually 3 months.

- (a) The aging analysis of trade payable based on recognition date is as follows:

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>56,726</b>	34,917
3 months to 1 year	<b>29,845</b>	87,606
1 to 2 years	<b>43,004</b>	10,516
2 to 5 years	<b>23,426</b>	16,501
	<b><u>153,001</u></b>	<b><u>149,540</u></b>

- (b) The carrying amount of the Group's trade payables is denominated in the following currencies:

	As of December 31,	
	2018	2017
	RMB'000	RMB'000
RMB	145,656	143,006
USD	7,345	6,534
	<u>153,001</u>	<u>149,540</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenues

Revenues increased by 34.1% to RMB2,364.6 million for the year ended December 31, 2018 on a year-on-year basis. The following table sets forth our revenues by line of business for the years ended December 31, 2018 and 2017:

	For the year ended December 31,			
	2018		2017	
	RMB'000	%	RMB'000	%
Game revenue	2,087,561	88.3	1,535,018	87.0
Information service revenue	269,962	11.4	220,748	12.5
Other revenue	7,118	0.3	7,782	0.5
	<u>2,364,641</u>	<u>100.0</u>	<u>1,763,548</u>	<u>100.0</u>

- Game revenue.** The largest portion of revenues are derived from our games, which contributed 88.3% and 87.0% of our total revenues in for the years ended December 31, 2018 and 2017. The increase in game revenue from RMB1,535.0 million for the year ended December 31, 2017 to RMB2,087.6 million for the year ended December 31, 2018 was primarily due to (i) the solid performance of two of our high-grossing games, *Five Elements of Heaven* (五行天) and *Gardenscapes* (夢幻花園) and (ii) the publishing of a number of new popular games, including *Cross Gate (Mobile version)* (魔力寶貝(手機版)), *FIFPro World Players' Union* (全民冠軍足球).



- **Information service revenue.** Our information service revenue is primarily derived from our advertising services. The increase in information service revenue from RMB220.7 million for the year ended December 31, 2017 to RMB270.0 million for the year ended December 31, 2018 was primarily the result of (i) our increased in game advertisement slots; and (ii) the higher rates charged to advertisers or advertising agents as a result of the market conditions during this year.
- **Other revenue.** Other revenue decreased from RMB7.8 million for the year ended December 31, 2017 to RMB7.1 million for the year ended December 31, 2018. Our other revenue is derived from primarily from (i) our fund management fees; and (ii) revenues generated from *Great Moments Voyage*.

### **Cost of revenues**

Our cost of revenues increased by 25.8% from RMB1,054.1 million for the year ended December 31, 2017 to RMB1,325.8 million for the year ended December 31, 2018. The increase primarily reflected greater channel costs and revenue share to content providers.

As a percentage of revenues, cost of revenues decreased to 56.1% for the year ended December 31, 2018 from 59.8% for the year ended December 31, 2017. The decrease was primarily due to the decrease in our payment channel costs, resulting from an increased proportion of payment processed through third-party payment channels, which typically charge lower payment processing fees as compared to mobile carriers. Such decrease was partially offset by an increase in our revenue share to content providers, which was in line with the growth of revenues generated by third-party licensed games.

### **Selling and marketing expenses**

Our selling and marketing expenses increased by 49.4% from RMB203.1 million for the year ended December 31, 2017 to RMB303.4 million for the year ended December 31, 2018. The increase was primarily due to an increase in promotion and advertising expenses primarily attributable to our strengthened efforts in promoting our games, such as *Gardenscapes* (夢幻花園).

### **General and administrative expenses**

Our general and administrative expenses increased by 40.2% from RMB203.1 million for the year ended December 31, 2017 to RMB284.7 million for the year ended December 31, 2018. As a percentage of revenues, our general and administrative expenses increased from 11.5% for the year ended December 31, 2017 to 12.0% for the year ended December 31, 2018. The increase was primarily due to an increase in our listing expenses, which was partially offset by a decrease in our employee benefits expenses.

## **Research and development expenses**

Our research and development expenses decreased by 6.2% from RMB105.7 million for the year ended December 31, 2017 to RMB99.1 million for the year ended December 31, 2018, primarily due to our continued efforts in optimizing our research and development resources and increasing overall operational efficiency. As a percentage of revenues, our research and development expenses decreased from 6.0% for the year ended December 31, 2017 to 4.2% for the year ended December 31, 2018.

## **Income tax expense**

Income tax expense increased by 33.9% to RMB29.2 million for the year ended December 31, 2018 on a year-on-year basis. The increase was mainly due to the increase in profit before income tax.

## **Profit for the year**

In 2018, our profit for the year amounted to RMB267.8 million, representing an increase of approximately RMB115.9 million or 76.3% compared with RMB151.9 million in 2017.

## **Adjusted net profit**

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit 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 net profit was derived from our profit for the year excluding share-based compensation expenses, listing expenses and fair value gains or losses on financial assets, if any.

In 2018, our adjusted net profit for the year amounted to RMB443.6 million, representing an increase of approximately RMB205.3 million or 86.1% compared with RMB238.3 million in 2017.

## **EBITDA and Adjusted EBITDA**

EBITDA is net income or loss before interest, taxes, depreciation and amortization. Adjusted EBITDA is calculated using adjusted net profit for the year, adding back depreciation of property and equipment, amortization of intangible assets, income tax expense and interest expenses.

The following table reconciles our profit for the year to our EBITDA and Adjusted EBITDA for years ended December 31, 2018 and 2017:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the year</b>	<b>267,833</b>	151,904
Add: Depreciation of property and equipment	<b>7,693</b>	7,862
Add: Amortization of intangible assets	<b>86,143</b>	75,613
Add: Income tax expense	<b>29,214</b>	21,788
Add: Interest expense	<b>51,023</b>	45,476
	<hr/>	<hr/>
<b>EBITDA</b>	<b>441,906</b>	302,643
	<hr/>	<hr/>
Add: Fair value losses on financial assets at fair value through profit or loss	<b>10,631</b>	391
Add: Share-based compensation expenses	<b>85,910</b>	86,052
Add: Listing expenses	<b>79,266</b>	—
	<hr/>	<hr/>
<b>Adjusted EBITDA</b>	<b>617,713</b>	389,086
	<hr/>	<hr/>

### **Liquidity and Financial Resources**

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

As at December 31, 2018, the Group's total cash and cash equivalents increased by 85.4% to approximately RMB1,121.6 million from approximately RMB605.1 million as at December 31, 2017. The increase in total cash and cash equivalents during the year under review was primarily resulted from the IPO Proceeds. Our cash and cash equivalents were primarily denominated in RMB, HKD and USD.

As at December 31, 2018, the Group's total bank borrowings amounted to approximately RMB1,114.2 million (2017: RMB1,000.1 million). As at December 31, 2018, the RMB-denominated bank borrowings accounted for approximately 52.2% (2017: 46.9%) of the Group's total bank borrowings. Among the Group's total bank borrowings as at December 31, 2018, a substantial portion of approximately 88.3% (2017: 99.7%) would be due within one year.

As at December 31, 2018, the current assets of the Group amounted to approximately RMB3,267.2 million, and the current liabilities of the Group amounted to approximately RMB2,304.7 million. As at December 31, 2018, the current ratio (being the current assets to current liabilities ratio) of the Group was 1.42 as compared with 1.43 as at December 31, 2017.

Debt ratio is calculated based on our total liabilities as of the respective date divided by our total assets as of the same date. As at December 31, 2018, the debt ratio of the Group was 43.4% as compared with 51.8% as at December 31, 2017.

### **Pledge of Assets**

Among the total bank borrowings of the Group as at December 31, 2018, approximately RMB918.2 million (2017: RMB1,000.1 million) were secured, which accounted for approximately 82.4% (2017: 100.0%) of the Group's total borrowings.

### **Contingent Liabilities**

As at December 31, 2018, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (2017: nil).

### **Capital Expenditure**

Our capital expenditures comprised royalty fees paid to game developers, and purchase of property, plant and equipment. For the year ended December 31, 2018, our total capital expenditure was approximately RMB462.9 million (2017: RMB155.8 million).

We expect that our capital expenditure in 2019 will continue to be primarily royalty fees paid to game developers, land use right and purchase of property, plant and equipment, and to finance our capital expenditures through a combination of operating cash flows and the IPO Proceeds. 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 Significant Investments**

On August 7, 2018, we acquired 70% of the equity interest of Shanghai Huohun Internet Technology Co., Ltd. (上海火魂網絡科技有限公司) (“**Shanghai Huohun**”), a company established in the PRC and principally engaged in custom game research and development. For further details about our acquisition of Shanghai Huohun, please refer to the section headed “History, Reorganization and Corporation Structure — Acquisition of Shanghai Huohun” in the Prospectus.

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

We did not hedge against any fluctuations in foreign currency during the years ended December 31, 2018 and 2017.

## **Employee and Remuneration Policy**

We had 665 and 703 full-time employees as of December 31, 2017 and 2018, respectively. Substantially all of our employees are based in the PRC.

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

## **USE OF PROCEEDS**

The Shares of the Company were listed on the Main Board of the Stock Exchange on December 6, 2018 by way of global offering, raising total net proceeds of approximately HK\$776.4 million after deducting professional fees, underwriting commissions and other related listing expenses.

As stated in the Prospectus, the intended uses of the IPO Proceeds are set out as follows:

- approximately HK\$295.0 million (representing 38% of the net proceeds) is expected to be used to further expand our game portfolio and enrich our contents offerings;
- approximately HK\$186.3 million (representing 24% of the net proceeds) is expected to be used to fund our strategic acquisition in upstream or game-related industries to intensify our collaboration with key market players, as well as to support the expansion of our international operations;

- approximately HK\$178.6 million (representing 23% of the net proceeds) is expected to be used to strengthen our in-house research and development capabilities and to strengthen our technical knowhow to enhance our in-house game development capabilities;
- approximately HK\$69.9 million (representing 9% of the net proceeds) is expected to be used for working capital and other general corporate purposes; and
- approximately HK\$46.6 million (representing 6% of the net proceeds) is expected to be used to expand our offline entertainment services.

Since the Listing Date up to as of December 31, 2018, the IPO Proceeds had not yet been utilised. In 2019, the Group will start to utilise the IPO Proceeds in accordance with the intended purposes as set out in the Prospectus.

## **DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2018 (2017: Nil).

## **OTHER INFORMATION**

### **Closure of the Register of Members**

The Company will hold the AGM on Friday, May 31, 2019. The register of members of the Company will be closed from Tuesday, May 28, 2019 to Friday, May 31, 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, May 27, 2019.

### **Compliance with the Corporate Governance Code**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance since the Listing Date.

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



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

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

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

No Board meeting or general meeting of the Company was held during the Relevant Period. As the Company was listed in December 2018, the Board did not have any matters to discuss during the Relevant Period which is less than one month. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

Code provision C3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Company's Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C3.3(e)(i) of the CG Code during the Relevant Period. However, the Audit Committee did not hold any meetings with the Company's Auditor during the Relevant Period because the Audit Committee did not have any matters that need to be discussed with the Company's Auditor shortly after the Company's listing. The Audit Committee will fully comply with its terms of reference.

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

## **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding directors’ securities transactions since the Listing Date. 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 Relevant Period.

## **Purchase, Sale or Redemption of Listed Securities**

During the Relevant Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company’s listed securities.

## **Audit Committee**

The Audit Committee, together with the Auditor, has reviewed the Group’s audited consolidated financial statements for the year ended December 31, 2018. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

## **Subsequent Event**

There are no material subsequent events undertaken by the Group after December 31, 2018.

## **Auditor’s Procedures Performed on this Results Announcement**

The figures in respect of the announcement of the Group’s results for the year ended December 31, 2018 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, and consequently no assurance has been expressed by the Auditor on this announcement.

## **Publication of the Annual Results and Annual Report on the Websites of the Stock Exchange and the Company**

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.idreamsky.com>), and the Annual Report 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:

“AGM”	the annual general meeting of the Company;
“ARPPU” or “average revenue per paying user”	the average amount of game revenue that the Group generates from each paying user for a particular period refers to the average game revenue for the period divided by the average of the paying users during that period;
“Audit Committee”	the audit committee of the Company;
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company;
“Board”	the board of Directors;
“Company” or “our Company”	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange under stock code 01119;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group” or “our Group” or “we” or “us”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS”	International Financial Reporting Standards;
“indie game(s)”	game(s) created without significant financial support of game publisher(s);

“IPO proceeds”	the net proceeds of approximately HK\$776.4 million from the global offering of the shares of the Company, after deducting professional fees, underwriting commissions and other related listing expenses;
“Listing Date”	December 6, 2018, being the date on which the shares of the Company became listed and commenced trading on the Stock Exchange;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“matching puzzle game(s)”	games in which users have to put three identical elements in a row or line to eliminate them;
“MAU (s)” or “monthly active user(s)”	the number of unique accounts that interacted with the Group’s mobile games in a particular month, which include multiple accounts held by one single user;
“MMORPG (s)” or “multi-player online role-playing game(s)”	games in which a large number of players, typically from hundreds to thousands, assume the roles of characters in a fictional setting;
“MPU (s)” or “monthly paying user(s)”	the number of unique accounts through which a payment is made for the Group’s mobile games in a particular month, which includes multiple accounts held by one single user;
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Prospectus”	the prospectus of the Company dated November 26, 2018;
“Relevant Period”	the period from the Listing Date to December 31, 2018;
“RMB”	Renminbi, the lawful currency of the PRC;
“RPG (s)” or “role-playing game(s)”	games in which users assume the roles of characters in a fictional setting;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Tencent”	Tencent Holdings Limited, one of the Company’s substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange under stock code 700;
“U.S. dollars” or “US\$” or “USD”	U.S. dollars, the lawful currency of the United States of America.

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

Shenzhen, the PRC, March 28, 2019

*As at the date of this announcement, the Board of the Company comprises Mr. Chen Xiangyu as chairman and executive director, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Lei Junwen as executive directors, Mr. Ma Xiaoyi and Mr. Du Feng as non-executive directors, and Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining as independent non-executive Directors.*