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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)

CONTINUING CONNECTED TRANSACTIONS
2021 GAME COOPERATION FRAMEWORK AGREEMENT
REVISION OF PROPOSED ANNUAL CAPS

BACKGROUND

Reference are made to the announcement (the “**Announcement**”) of iDreamSky Technology Holdings Limited (the “**Company**”) dated December 29, 2020 in relation to, among other things, the 2021 Game Cooperation Framework Agreement. Unless otherwise defined, terms used herein shall have the same meaning as those defined in the Announcement.

2021 GAME COOPERATION FRAMEWORK AGREEMENT

On December 29, 2020, Shenzhen iDreamSky and Tencent Computer entered into the 2021 Game Cooperation Framework Agreement for a period of three years from January 1, 2021 to December 31, 2023, pursuant to which the Group and Tencent Computer agreed to:

- (i) license (a) games of the Group and/or (b) games licensed to the Group by third parties, and engage Tencent Group for distribution or publishing for such games;
- (ii) license the games of Tencent Group for the distribution and operations on the Company’s platforms; and
- (iii) cooperate on other gaming-related matters, including but not limited to (a) Tencent Group engaging us to develop customized games, (b) Tencent Group licensing its IPs to us for development of games, and (c) joint development of games by the Group and Tencent Group.

Tencent Group and the Group shall pay distribution fees and/or licensing fees to each other (as the case may be). The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

The distribution fees and/or licensing fees payable by the Group or Tencent Group (as the case may be) for the Group's games on other platforms (or the games licensed to the Group by third parties) or Tencent Group's games on other platforms shall be calculated on any of the following bases:

- fixed amount of distribution fees and/or licensing fees;
- revenue/profit sharing between the parties;
- prepaid revenue/profit sharing between the parties; and/or
- product bonus.

Pricing Policy

The distribution fees payable and/or revenue to be shared by the Group to Tencent Group and the distribution fees payable and/or revenue to be shared by Tencent Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and consideration of various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games.

REVISION OF THE PROPOSED ANNUAL CAPS FOR THE TRANSACTIONS CONTEMPLATED UNDER THE 2021 GAME COOPERATION FRAMEWORK AGREEMENT

In view of (i) the expected demand of Tencent Group for the Group's customized development services, and (ii) the enhanced cooperation with Tencent Group, the Board has proposed to revise the annual caps of the distribution fees payable and/or revenue to be shared by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ending December 31, 2023, by including an additional category of caps for customized development fees paid by Tencent Group to the Group.

Original Annual Caps

The annual caps originally proposed in the Announcement for the distribution fees payable and/or revenue to be shared by the Group to Tencent Group and the distribution fees payable and/or revenue to be shared by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ending December 31, 2023 are set out in the table below:

	For the year ending		
	December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(a) Distribution fees payable by the Group to Tencent Computer (i.e. where the Group engages Tencent Computer for distribution of its game)	19,800	23,760	28,512
(b) Licensing fees payable by Tencent Group to the Group in the form of revenue sharing (i.e. where the Group engages Tencent Group for publishing of our games and games licensed to the Group by third parties)	92,906	125,941	124,900
(c) Licensing fees payable by the Group to Tencent Group (i.e. where the Group licensed, and Tencent Group engages us for publishing and operation of, the games of Tencent Group)	36,866	42,556	20,027

Revised Annual Caps

The proposed revised annual caps for the distribution fees payable and/or revenue to be shared by the Group to Tencent Group and the distribution fees payable and/or revenue to be shared by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ending December 31, 2023 (the “**Revised Annual Caps**”) are set out in the table below:

	For the year ending December 31,		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
(a) Distribution fees payable by the Group to Tencent Computer (i.e. where the Group engages Tencent Computer for distribution of its games)	19,800	23,760	28,512
(b) Licensing fees payable by Tencent Group to the Group in the form of revenue sharing (i.e. where the Group engages Tencent Group for publishing of our games and games licensed to the Group by third parties)	92,906	125,941	124,900
(c) Licensing fees payable by the Group to Tencent Group (i.e. where the Group licensed, and Tencent Group engages us for publishing and operation of, the games of Tencent Group)	36,866	42,556	20,027
(d) Customized development fees payable by Tencent Group to the Group (i.e. where Tencent Group engages us for development of Tencent Group's games of certain specialized area)	21,667	21,667	21,667

Basis for the Revised Annual Caps

In determining the Revised Annual Caps (in particular, the annual caps in respect of the customized development fees payable by Tencent Group to the Group), the Board has considered availability and cost of our employees and the potential game development opportunities after arms' length negotiation and discussion, and in particular, the Board has taken into account (i) the direct costs for providing the customized game development service comprising primarily salary expenses for the Company's staff deployed; and (ii) overhead cost calculated on the proportion of time spent by the Company in providing the customized game development service to Tencent Group during the relevant financial year.

Notwithstanding the Revised Annual Caps, the terms of the 2021 Game Cooperation Framework Agreement remain unchanged.

The above Revised Annual Caps are not intended, and do not purport, to be an indication of the Group's future performance or profitability and investors should not rely on the Revised Annual Caps in deciding whether to invest in the shares of the Company.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

The Company believes that the enhanced cooperation with Tencent Group pursuant to the 2021 Game Cooperation Framework Agreement will enable both parties to leverage the competitive edges of each other, and further enhance the Group's game development capabilities.

In light of the above, the Directors believe that it is for the benefit of the Group to continue to cooperate with Tencent Group under the 2021 Game Cooperation Framework Agreement and consider that the transactions under the 2021 Game Cooperation Framework Agreement are entered into in the usual and ordinary course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Revised Annual Caps are based on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu, non-executive Directors, currently hold senior management role at Tencent, and have therefore abstained from voting on the relevant Board resolutions approving the Revised Annual Caps. Save as disclosed above, none of the other Directors has or is considered to have material interests in the transactions contemplated under the 2021 Game Cooperation Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent is a substantial shareholder of the Company holding through its wholly-owned subsidiaries approximately 17.94% of the total issued shares of the Company, and Tencent Computer is a subsidiary of Tencent. Therefore, Tencent Computer is a connected person of the Company, and the 2021 Game Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules for the Revised Annual Caps calculated based on an annual basis exceeds 0.1% but is below 5%, the Revised Annual Caps are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

The Group is a digital entertainment platform with a leading position in game publishing market in China, and adopts a free-to-play model for all of its games and has also expanded service offerings to other digital entertainment areas, such as e-sports, comics and video. Shenzhen iDreamSky is a PRC consolidated affiliated entity of the Company and is principally engaged in publication and operation of games through mobile apps and websites.

Tencent through its subsidiaries, principally provides value-added services and online advertising services to users mainly in the PRC. Tencent Computer is a subsidiary of Tencent and is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC.

By order of the Board
iDreamSky Technology Holdings Limited
Chen Xiangyu
Chairman of the Board

Shenzhen, the PRC, August 12, 2021

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