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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)**

### **ANNOUNCEMENT**

## **PROPOSED ISSUE OF HK\$775 MILLION 3.125% GUARANTEED CONVERTIBLE BONDS DUE 2025**

**Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager**

**BofA SECURITIES** 

### **Proposed Issue of HK\$775 million 3.125% Guaranteed Convertible Bonds Due 2025**

The Board is pleased to announce that on 6 October 2020 (after trading hours), DHL (a wholly-owned subsidiary of the Company) and the Manager have entered into the Subscription Agreement, pursuant to which the Manager has conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds to be issued by DHL in an aggregate principal amount of HK\$775 million. The issue price of the Bonds shall be 100% of the aggregate principal amount of the Bonds and the denomination of each of the Bonds shall be HK\$2,000,000 and integral multiples of HK\$1,000,000 thereof.

In connection with the Bonds Issue, the Company will unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by DHL under the Bonds pursuant to the Trust Deed.

Based on the initial Conversion Price of HK\$4.99 per Share and assuming full conversion of the Bonds, the Bonds will be convertible into a maximum of 155,310,621 New Shares, representing:

- (1) approximately 12.23% of the existing issued share capital of the Company as at the date of this announcement; and
- (2) approximately 10.90% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares under the Bonds.

It is intended the Bonds will be listed and quoted on the Official List of the SGX-ST. An application will be made to the SGX-ST for the listing and quotation of the Bonds. The Company will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

Approval in-principle from, admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, DHL or any other subsidiary or associated company of the Company and the Bonds. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this announcement.

### **General Mandate**

The New Shares will be allotted and issued pursuant to the General Mandate and will rank *pari passu* in all respects with the Shares then in issue on the relevant registration date.

### **Use of Proceeds**

The gross proceeds from the Bonds Issue will be HK\$775 million. The estimated net proceeds from the Bonds Issue, after deduction of commission, amount to approximately HK\$758 million and which will be paid into the bank account of the Company. Based on such net proceeds and assuming the full conversion of the Bonds at the initial Conversion Price, the net price per New Share is approximately HK\$4.88. The Company intends to use the net proceeds from the Bonds Issue for the Group's research and development of its own games and products, and supplementing its capital for strategic opportunities in the future.

**The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32). The Bonds were offered by way of debt issue to professional investors only.**

**The Bonds and the New Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and no public offering will be made in the United States. Neither the Bonds nor the New Shares may be offered or sold within the United States absent registration under, or an applicable exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and applicable state or local securities laws of the United States.**

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “The Subscription Agreement” below for further information.**

**As the Bonds Issue may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **THE SUBSCRIPTION AGREEMENT**

The principal terms of the Subscription Agreement are summarized as follows:

- Date** 6 October 2020
- Parties**
- (i) DHL as issuer;
  - (ii) the Company as guarantor; and
  - (iii) Merrill Lynch (Asia Pacific) Limited as Manager.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Manager is an Independent Third Party.

- Subscription** The Manager agrees to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of HK\$775 million at the Issue Price subject to the fulfilment of the conditions precedent set forth in the Subscription Agreement.

The Manager has informed the Company and DHL that it intends to offer and sell the Bonds to no less than six (6) independent placees (who will be independent individual, corporate and/or institutional investors). The Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the Securities Act. None of the Bonds will be offered to the retail public in Hong Kong.

To the best of the Directors' knowledge, information and belief as at the date of this announcement, each of the placees of the Bonds (and their respective ultimate beneficial owners) is an Independent Third Party.

### **Conditions Precedent**

The obligations of the Manager to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds on the Closing Date are conditional upon, among other things:

- (i) *Due diligence*: the Manager being satisfied with the results of its due diligence investigations with respect to DHL, the Company and their respective subsidiaries and the Offering Circular shall have been prepared in form and content satisfactory to the Manager;
- (ii) *Other Transaction Documents*: the execution and delivery of the other Transaction Documents (as defined in the Subscription Agreement) and the Securities Borrowing and Lending Agreement, each in a form reasonably satisfactory to the Manager, by the respective parties;

- (iii) *Other Consents*: except for the post-issue filing with the NDRC, on or prior to the Closing Date, there shall have been delivered to the Manager copies of all consents and approvals required in relation to the issue of the Bonds and the performance of DHL's and the Company's (as applicable) obligations under the Transaction Documents and the Bonds (including any consents and approvals required from any lenders to any other member of the Group);
- (iv) *Major Shareholder Undertaking*: a side letter substantially in the form as set out in the Subscription Agreement dated as of the date of the Subscription Agreement, executed by Brilliant Seed Limited;
- (v) *Auditors' Letters*: on the date of this Agreement and on the Closing Date, there having been delivered to the Manager letters, in form and substance satisfactory to the Manager, dated the date of this Agreement and the Closing Date, respectively, and addressed to the Manager from PricewaterhouseCoopers, the current auditor of the Company;
- (vi) *Compliance*: On the Closing Date:
  - (a) the representations and warranties of each of DHL and the Company in the Subscription Agreement being true, accurate and correct at, and as if made on, the Closing Date;
  - (b) each of DHL and the Company having performed all of their respective obligations under the Subscription Agreement to be performed on or before the Closing Date; and
  - (c) there having been delivered to the Manager a certificate, dated the Closing Date, signed by a duly authorised officer of each of DHL and the Company substantially in the form as set out in the Subscription Agreement to such effect.

(vii) *Listing:*

- (a) the SGX-ST having agreed, subject to any conditions reasonably satisfactory to the Manager, to list the Bonds; and
- (b) the Hong Kong Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Manager, to list the New Shares upon conversion of the Bonds.

(viii) *Material Adverse Change:* After the date of this Agreement or, if earlier, the dates as of which information is given in the Offering Circular up to and at the Closing Date, there shall not have occurred any change (nor any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs or profitability of DHL, the Company or the Group which, in the opinion of the Manager, is material and adverse on the ability of DHL or the Company to perform their respective obligations under the Transaction Documents, the Bonds or the Guarantee (as applicable), or otherwise in the context of the issue and Offering of the Bonds.

(ix) *Legal Opinions:* On or before the Closing Date, there having been delivered to the Manager opinions, in form and substance satisfactory to the Manager, dated the Closing Date of certain legal opinions on the laws of various jurisdictions.

The Manager may, at its discretion and upon such terms as they think fit, waive compliance with the whole or any part of the above conditions, except with respect to the one in relation to due diligence and the Offering Circular.

**Closing**

Completion of the subscription and issue of the Bonds will take place on the Closing Date.

**DHL's and the  
Company's Lock-up  
Undertaking**

Neither DHL, the Company nor any person acting on its behalf will:

- (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any debt securities with covenants outside the PRC, or any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them;
- (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares;
- (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise; or
- (d) announce or otherwise make public an intention to do any of the foregoing,

in any such case without the prior written consent of the Manager, between the date of the Subscription Agreement and the date which is 60 days after the Closing Date (both dates inclusive); in each case except for (i) the Bonds and the New Shares issued on conversion of the Bonds and (ii) the awards granted under the restricted share unit plan of the Company adopted by the Company on 10 May 2018 which has been disclosed in the Company's latest published consolidated financial statements.

## **Major Shareholder Undertaking**

Brilliant Seed Limited, a substantial shareholder of the Company, has entered into a lock-up undertaking in favour of the Manager that, between the date of the Subscription Agreement and the date which is 60 days after the Closing Date, it will not, and will procure that none of its nominees, companies or associates controlled by it and trusts associated with it, will, other than the transfer of any Major Shareholder Lock-up Shares pursuant to the Securities Borrowing and Lending Agreement (as defined below), unless with the prior written consent of the Manager:

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares of the Company or any interests therein beneficially owned or held by it (“**Major Shareholder Lock-up Shares**”) or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Major Shareholder Lock-up Shares or interests;
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Major Shareholder Lock-up Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Major Shareholder Lock-up Shares or such other securities, in cash or otherwise; or
- (iii) announce any intention to enter into or effect any such transaction.



## Termination

Notwithstanding anything contained in the Subscription Agreement, the Manager may, by notice to DHL and the Company given at any time prior to payment of the net subscription monies for the Bonds to DHL, terminate this Agreement in any of the following circumstances:

- (a) if there shall have come to the notice of the Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in this Agreement or any failure to perform any of DHL's or the Company's undertakings or agreements in the Subscription Agreement;
- (b) if any of the conditions precedent has not been satisfied or waived by the Manager on or prior to the Closing Date;
- (c) if in the opinion of the Manager, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (d) if, in the opinion of the Manager, there shall have occurred any of the following events:
  - (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the SGX-ST and/or the Hong Kong Stock Exchange;
  - (ii) a suspension or a material limitation in trading in the DHL's securities on the Hong Kong Stock Exchange;

- (iii) a general moratorium on commercial banking activities in the United States, the PRC, Singapore, Hong Kong, and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Singapore, the PRC, Hong Kong, or the United Kingdom;
  - (iv) a change or development involving a prospective change in taxation affecting DHL, the Company, the Bonds and the Shares to be issued upon conversion of the Bonds or the transfer thereof, which would be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (e) if, in the opinion of the Manager, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God, pandemic or epidemic) as would in its view be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market; or
- (f) if the Securities Borrowing and Lending Agreement has been terminated, or there shall have come to the notice of the Manager any Event of Default or potential Event of Default, or any failure by Brilliant Seed Limited to perform any of its obligations under any Securities Borrowing and Lending Agreement, where "Event of Default" and "Lender" shall have the meaning given to them under the Securities Borrowing and Lending Agreement.

## PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarized as follows:

<b>Issuer</b>	DHL
<b>Issue Price</b>	100% of the principal amount of the Bonds.
<b>Issue</b>	Hong Kong dollar-denominated 3.125% convertible bonds due 2025 in an aggregate principal amount of HK\$775 million, convertible into the Company's fully-paid ordinary shares of par value US\$0.0001.
<b>Form and Denomination</b>	The Bonds will be issued in registered form in the specified denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 thereof (each, an " <b>Authorised Denomination</b> ").
<b>Interest</b>	Interest on the Bonds is payable at the rate of 3.125% per annum payable semi-annually in arrear on 16 April and 16 October in each year, commencing on 16 April 2021.
<b>Closing Date/Issue Date</b>	On or around 16 October 2020
<b>Maturity Date</b>	On or around 16 October 2025
<b>Guarantor</b>	the Company
<b>Guarantee</b>	The Company will in the Trust Deed unconditionally and irrevocably guarantee the due and punctual payment in full of all sums expressed to be from time to time payable by DHL under the Trust Deed and in respect of the Bonds (the " <b>Guarantee</b> "). The Guarantee will constitute direct, unconditional, unsubordinated and (subject to the provisions of terms and conditions) unsecured obligations of the Company and will (subject to the terms and conditions of the Bonds) rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured and unsubordinated obligations of the Company.

## **Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed), neither DHL nor the Company will, and DHL and the Company will ensure that none of their respective Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (collectively, “**Security Interests**”) upon the whole or any part of its or their present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, in each case except for any Permitted Security Interest, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

## **Conversion Period**

Subject to the terms and conditions of the Bonds, each Bond shall entitle the holder to convert such Bond into Shares credited as fully paid at any time during the Conversion Period referred to below. The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”.

Subject to and upon compliance with the terms and conditions of the Bonds, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (a) on or after the date which is 41 days after the Issue Date (both dates inclusive) to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling seven days prior to the Maturity Date (both days inclusive) (but, except as provided in the terms and conditions of the Bonds, in no event thereafter), (b) if such Bond shall have been called for redemption by DHL before the Maturity Date, up to the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to terms and conditions of the Bonds, up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the “**Conversion Period**”).

**Conversion Price**

Initially HK\$4.99 per Share, subject to adjustment for, among others, the consolidation, subdivision, redesignation or reclassification of the Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than Current Market Price, other issues at less than Current Market Price, modification of rights of conversion etc., other offers to Shareholders, other events and/or Change of Control as further described in the terms and conditions of the Bonds.

**Final Redemption**

Unless previously redeemed, converted or purchased and cancelled as provided herein, DHL will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on or around 16 October 2025 (the “**Maturity Date**”). DHL may not redeem the Bonds at its option prior to that date except as provided in the terms and conditions of the Bonds.

**Redemption for  
Taxation Reasons**

The Bonds may be redeemed, at the option of DHL in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with terms and conditions of the Bonds (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the “**Tax Redemption Date**”) at their principal amount as at such date together with interest accrued but unpaid up to but excluding such date (if any), if DHL satisfies the Trustee immediately prior to the giving of such notice that (i) DHL (or if the Guarantee was called, the Company) has or will become obliged to pay additional tax amounts as provided or referred to in the terms and conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 October 2020, and (ii) such obligation cannot be avoided by DHL (or, as the case may be, the Company) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which DHL (or as the case may be, the Company) would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.

**Redemption at the  
Option of DHL**

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Principal Agents in writing (which notice shall be irrevocable) and to the Bondholders in accordance with terms and conditions of the Bonds, DHL may:

- (i) at any time after (and excluding) 16 October 2023 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount together with any interest accrued but unpaid up to but excluding the date specified for redemption in the relevant Optional Redemption Notice (the "**Optional Redemption Date**"), provided that the Closing Price of the Shares for any 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which the relevant Optional Redemption Notice is published was at least 130 per cent. of the Conversion Price then in effect immediately prior to the date upon which the relevant Optional Redemption Notice is given; or
- (ii) at any time redeem in whole, but not in part, the Bonds at their principal amount together with interest accrued but unpaid up to but excluding the Optional Redemption Date if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with terms and conditions of the Bonds and consolidated and forming a single series therewith).

**Redemption at the  
Option of the  
Bondholders**

The holder of each Bond will have the right at such holder's option, to require DHL to redeem all or some only of such holder's Bonds on 16 October 2023 (the "**Optional Put Date**") at their principal amount, together with interest accrued but unpaid up to but excluding such Optional Put Date.

**Redemption for  
Relevant Event**

Following the occurrence of a Relevant Event, the holder of each Bond will have the right, at such holder's option, to require DHL to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at their principal amount together with interest accrued but unpaid up to but excluding such date (if any).

**Purchase and  
Cancellation**

Each of DHL, the Company and their respective Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

All Certificates evidencing Bonds which are redeemed, converted or purchased by DHL, the Company or any of their respective Subsidiaries, will be surrendered to the Registrar for cancellation and upon surrender thereof, all such Bonds and Certificates shall forthwith be cancelled. Certificates so surrendered for cancellation and the relevant Bonds may not be reissued or resold.

**Clearing System**

Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**").

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

**Transferability**

A Bond may, subject to the terms and conditions of the Bonds and the terms of the Agency Agreement, be transferred (in whole or in part but in any case in an Authorised Denomination).

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

**Listing**

An application will be made to the SGX-ST for the listing and quotation of the Bonds. The Company will apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

Approval in-principle from, admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, DHL or any other subsidiary or associated company of the Company and the Bonds. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this announcement.

**Status**

The Bonds constitute direct, unconditional, unsubordinated and (subject to the terms and conditions of the Bonds) unsecured obligations of DHL and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of DHL under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to the terms and conditions of the Bonds, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.



## CONVERSION PRICE AND NEW SHARES

The initial Conversion Price of HK\$4.99 per Share represents:

- (i) the last closing price of HK\$4.99 per Share as quoted on the Hong Kong Stock Exchange on 6 October 2020 (being the trading day on which the Subscription Agreement was signed);
- (ii) a premium of approximately 5.9% over the average closing price of approximately HK\$4.71 per Share as quoted on the Hong Kong Stock Exchange for the five consecutive trading days up to and including 6 October 2020; and
- (iii) a premium of approximately 6.6% over the average closing price of approximately HK\$4.68 per Share as quoted on the Hong Kong Stock Exchange for the ten consecutive trading days up to and including 6 October 2020.

The initial Conversion Price was determined with reference to the prevailing market price of the Shares and the terms and conditions of the Subscription Agreement and was negotiated on an arm's length basis between DHL and the Manager after a book-building exercise.

The number of New Shares issuable upon conversion of any Bonds shall be determined by dividing the principal amount of the Bonds converted by the Conversion Price in effect on the relevant conversion date. Based on the initial Conversion Price of HK\$4.99 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into a maximum of 155,310,621 New Shares, representing:

- (i) approximately 12.23% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 10.90% of the issued share capital of the Company, as enlarged by the issue of the New Shares upon full conversion of the Bonds.

## EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION

The following table illustrates, to the best knowledge of the Company (i) the existing shareholding structure as at the date of this announcement; and (ii) the shareholding structure assuming the Bonds are fully converted into New Shares at the initial Conversion Price of HK\$4.99 on the assumptions that (a) there will be no other change to the share capital of the Company from the date of this announcement until the conversion of the Bonds in full, save for the issue of the New Shares as a result of the conversion of the Bonds in full; and (b) the Bondholders do not and will not hold any Shares other than the New Shares as a result of the conversion of the Bonds in full.

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds	
	No. of Shares	Approximate % of total issued shares of the Company	No. of Shares	Approximate % of total issued shares of the Company
<b>Non-public Shareholders</b>				
Brilliant Seed Limited <sup>(1)</sup>	242,870,430	19.13%	242,870,430	17.04%
Tencent Mobility Limited	235,999,300	18.59%	235,999,300	16.56%
iDreamSky Technology Limited	165,475,375	13.03%	165,475,375	11.61%
Bubble Sky Limited <sup>(2)</sup>	47,078,020	3.71%	47,078,020	3.30%
Shipshape Holdings Limited <sup>(3)</sup>	13,979,400	1.10%	13,979,400	0.98%
<b>Sub-total</b>	<b>705,402,525</b>	<b>55.56%</b>	<b>705,402,525</b>	<b>49.50%</b>
Public Shareholders	564,316,465	44.44%	564,316,465	39.60%
Bondholders	—	—	155,310,621	10.90%
<b>Sub-total</b>	<b>564,316,465</b>	<b>44.44%</b>	<b>719,627,086</b>	<b>50.50%</b>
<b>Total</b>	<b>1,269,718,990</b>	<b>100%</b>	<b>1,425,029,611</b>	<b>100%</b>

Notes:

- (1) Brilliant Seed Limited is wholly owned by Mr. Chen Xiangyu, Chairman and executive Director of the Company.
- (2) Bubble Sky Limited is wholly owned by Mr. Guan Song, an executive Director.
- (3) Shipshape Holdings Limited is wholly owned by Mr. Jeffrey Lyndon Ko, an executive Director.

## USE OF PROCEEDS

The gross proceeds from the Bonds Issue will be HK\$775 million. The estimated net proceeds from the Bonds Issue, after deduction of the commissions and other estimated expenses payable, will be approximately HK\$758 million and which will be paid into the bank account of the Company. Based on such net proceeds and assuming the full conversion of the Bonds at the initial Conversion Price, the net price per New Share is approximately HK\$4.88.

The net proceeds of HK\$758 million from the Bonds is intended to be used for the Group's research and development of its own games and products, and supplementing its capital for strategic opportunities in the future.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Apart from the fund raising activity mentioned below, the Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

Relevant Date	Fund raising activity	Net proceeds raised	Intended use of net proceeds	Actual use of the net proceeds as at the date of this announcement
January 3, 2020	Convertible bonds with a principal amount of US\$30,000,000 due 2023 issued by the Company (“Existing Convertible Bonds”)	RMB204.6 million	Net proceeds from issuance of the Existing Convertible Bonds will be used to further expand the Company's game portfolio and enrich its contents offerings, conduct strategic acquisition and supplement the Company's working capital	Approximately RMB75.6 million has been used as at the date of this announcement, among which RMB53.1 million was used for expansion of the Company's game portfolio and contents offerings, and RMB22.5 million was used to supplement working capital

The balance of net proceeds from issuance of the Existing Convertible Bonds will continue to be utilized for the intended purposes, and will be used up in the next two years.

## **REASONS FOR AND BENEFITS OF THE BONDS ISSUE**

The Directors are of the view that the Bonds Issue can provide the Company with additional funds at lower funding cost for the purposes of (A) further enhancing the Company's R&D capability and (B) supplement the Group's working capital for potential opportunities for strategic development in the future. The Issue Price and the Conversion Price were arrived at after arm's length negotiations between the parties to the Subscription Agreement with reference to the prevailing trading prices of the Shares and the financial conditions of DHL and the Company. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the terms and conditions of the Bonds are made on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned, and the Bonds Issue is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors consider the terms of the Subscription Agreement and the Bonds are fair and reasonable on normal commercial terms and in the interests of the Shareholders and the Company as a whole.

## **GENERAL MANDATE**

Based on the initial Conversion Price of HK\$4.99 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into a maximum of 155,310,621 New Shares.

By a resolution of the Shareholders passed at the annual general meeting held on June 24, 2020, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the issued ordinary share capital of the Company outstanding as at the date of passing the resolution.

As at the date of this announcement, no Shares have been issued or committed to be issued pursuant to the General Mandate, the number of Shares that the Company may issue under the General Mandate is 253,943,798, representing 20% of the issued share capital of the Company of 1,269,718,990 Shares as at June 24, 2020. The New Shares to be issued upon the conversion of the Bonds will be allotted and issued pursuant to the General Mandate. The issue of the Bonds is not subject to the approval of the Shareholders.

## **INFORMATION REGARDING THE GROUP**

The Group is a digital entertainment platform with a leading position in game publishing market in the PRC, 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.

## SECURITIES LENDING ARRANGEMENT

In connection with the proposed issue of the Bonds, Merrill Lynch International (the “**Borrower**”) as borrower has entered into a stock borrowing and lending agreement with Brilliant Seed Limited as lender (the “**Lender**”), dated 6 October 2020 (the “**Securities Borrowing and Lending Agreement**”), to allow the Lender to provide stock lending to the Borrower in respect of 136.5 million Shares upon and subject to the terms and conditions stated in the Securities Borrowing and Lending Agreement.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “The Subscription Agreement” above for further information.**

**As the Bonds Issue may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Agency Agreement”	the agency agreement in relation to the Bonds to be dated on or around 16 October 2020 between DHL, the Trustee, The Bank of New York Mellon, London Branch, The Bank of New York Mellon SA/NV, Luxembourg Branch and the other paying agents, conversion agents and transfer agents appointed under the Agency Agreement relating to the Bonds
“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
“Board”	the board of Directors of the Company
“Bondholders”	the person in whose name the Bonds are registered (or in the case of a joint holding, the first name thereof)
“Bonds”	the HK\$775 million 3.125% convertible bonds due 2025
“Bonds Issue”	the issue of the Bonds by DHL

“Change of Control”	<p>A “Change of Control” occurs when any one of the following events occur:</p> <ul style="list-style-type: none"> <li>(i) DHL ceases to be 100% (either directly or indirectly) legally and beneficially owned by the Company;</li> <li>(ii) any Person or Persons, other than the Permitted Holders, acting together by contract or otherwise, acquires Control of the Company; or</li> <li>(iii) any Person or Persons, other than the Permitted Holders, hold more Shares of the Company than the aggregated holdings of the Permitted Holders; or</li> <li>(iv) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any Person other than the Permitted Holders, unless the consolidation, merger, sale or transfer will not result in such other Person, individually or together with other Persons, acquiring Control of DHL or its successor</li> </ul>
“Closing Date” or “Issue Date”	16 October 2020, or such later date, or such later date, not being later than 14 days after the proposed issue date, as DHL and the Manager may agree
“Closing Price”	in respect of a Share for any Trading Day, shall be the price published in the daily quotation sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such Trading Day
“Company”	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Hong Kong Stock Exchange under stock code 01119
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules

- “Control” over a Person means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or the majority of the members of such Person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
- “Conversion Price” the price at which Shares will be issued upon exercise of a Conversion Right (the “**Conversion Price**”) will initially be HK\$4.99 per Share but will be subject to adjustment in the circumstances described in the relevant terms and conditions
- “Current Market Price” in respect of a Share on a particular date, the average of the daily Closing Prices of one Share for the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Day), such date of announcement; provided that if at any time during such 20 Trading Day period the Shares shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Shares shall have been quoted cum-dividend (or cum-any other entitlement) then:
- (a) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value (as defined in the terms and conditions of the Bonds) of any such dividend or entitlement per Share; or

- (b) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the Closing Price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value (as defined in the terms and conditions of the Bonds) of any such dividend or entitlement per Share;

and provided further that:

- (i) if on each of the said 20 Trading Days the Shares have been quoted cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share in any such case determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax and disregarding any associated tax credit; and
- (ii) if the Closing Price of a Share is not available on one or more of the said 20 Trading Days (disregarding for this purpose the proviso to the definition of Closing Price), then the average of such Closing Prices which are available in that 20 Trading Day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Closing Price is available in the relevant period, the Current Market Price shall be determined by an Independent Financial Adviser (as defined in the terms and conditions of the Bonds);

In making any calculation or determination of Current Market Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or subdivision of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event



“DHL”	Dreambeyond Holdings Limited, a company incorporated in Cayman Islands with limited liabilities and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandated granted pursuant to a resolution of the Shareholders passed at the annual general meeting of the Company held on June 24, 2020 authorising the Directors to allot and issue up to 20% of the issued ordinary share capital of the Company outstanding as at the date of passing the resolution
“Global Certificate”	a global bond certificate representing the Bonds to be issued
“Group”	the Company, its subsidiaries and its consolidated affiliated entities
“HK\$” or “Hong Kong Dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Parties”	any entity or person who is not a Connected Person of the Company within the meaning ascribed thereto under the Listing Rules
“Manager”	Merrill Lynch (Asia Pacific) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Shares”	Shares to be allotted and issued by the Company upon conversion of the Bonds
“NDRC”	the National Development and Reform Commission of the PRC
“Offering Circular”	the offering circular to be issued by the Company in respect of the Bonds Issue and the listing of the Bonds on the SGX-ST

“Permitted Security Interest” means:

- (a) any Security Interest either over any asset acquired after the Issue Date which is in existence at the time of such acquisition or in respect of the obligations of any person which becomes a Subsidiary of DHL or the Company, as the case may be, after the Issue Date which is in existence at the date on which it becomes such a Subsidiary;
- (b) any Security Interest created in connection with the refinancing of any obligations referred to in paragraph (a) above;
- (c) any Security Interest on any property or asset securing Relevant Indebtedness if (i) by the terms of such indebtedness it is expressly provided that recourse by the holders of such indebtedness is limited to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon and (ii) such indebtedness is not guaranteed by DHL, the Company or any Subsidiary;
- (d) any Security Interest on any property or asset of DHL, the Company or any Subsidiary which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice; or
- (e) any lien arising by operation of law,

except that in the case of (b), (c), (d) above, the Relevant Indebtedness that such Security Interest is created in connection with shall be offered pursuant to a private placement only and not a public offering

“Permitted Holders”	any Person and those other Persons directly or indirectly Controlled by such Person who owns or controls 15 per cent. or more of the voting rights of the issued share capital of the Company on 5 October 2020
“Person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity)
“Prevailing Rate”	in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined
“Principal Agent”	The Bank of New York Mellon, London Branch, as principal paying agent and principal conversion agent
“PRC”	the People’s Republic of China (for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Regulation S”	Regulation S under the US Securities Act
“Relevant Event”	occurs: <ul style="list-style-type: none"> <li>(i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive Trading Days on Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange;</li> <li>(ii) when less than 25 per cent. of the Company’s total number of issued shares are held by public; or</li> <li>(iii) when there is a Change of Control</li> </ul>

“Relevant Indebtedness”	any future or present indebtedness that is issued or incurred outside the PRC and which is in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities which are, or are issued with the intention on the part of the issuer thereof that they should be, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market, which for the avoidance of doubt does not include indebtedness under any bilateral, syndicated or club loan or loan facility
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	the ordinary share(s) with par value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Subscription Agreement”	the subscription agreement dated 6 October 2020 entered into among DHL, the Company and the Manager in respect of the issue of the Bonds
“Subsidiary”	means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

“Trading Day”	a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days
“Trust Deed”	the trust deed in relation to the Bonds dated on or around 16 October 2020 between DHL, the Company and the Trustee
“Trustee”	The Bank of New York Mellon, London Branch
“US\$” or “US Dollars”	the lawful currency of the United States
“US” or “United States”	the United States of America
“%”	per cent.

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

Hong Kong, 7 October 2020

*As at the date of this announcement, the Board of Directors 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.*