

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
AMENDMENT TO THE 2021 IP COOPERATION FRAMEWORK
AGREEMENT AND THE PROPOSED ANNUAL CAPS

BACKGROUND

Reference is hereby made to the announcement of iDreamSky Technology Holdings Limited (the “**Company**”) dated December 29, 2020 (the “**Announcement**”), which relates to (among other things) the 2021 IP Cooperation Framework Agreement. Unless otherwise required by the context, the terms used in this announcement shall have the same meaning as those defined in the Announcement.

2021 IP COOPERATION FRAMEWORK AGREEMENT

On December 29, 2020, Shenzhen iDreamSky and Tencent Computer entered into a 2021 IP Cooperation Framework Agreement for a period of one year from January 1, 2021 to December 31, 2021. Accordingly, the Group and Tencent Computer made an agreement on: (i) resources investment for the development or adaption of comics work (the “**Originated Work**”), including but not limited to advertising resources and currencies; and (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales. The parties may further agree on the investment in the operation of the Originated Work separately.

Shenzhen iDreamSky and Tencent Computer may further agree on the following fee arrangements in accordance with the 2021 IP Cooperation Framework Agreement:

- A fixed amount of licensing fee or distribution fee;
- The revenue/profit sharing of both parties; or
- All of the above.

PRICING POLICY

The commercial arrangement to be agreed between the Group and Tencent Group will vary from project to project and will be determined based on the following factors:

- (i) Various commercial factors, such as the nature, popularity and commercial potential of the target project, and market practices for similar projects;
- (ii) Whether other third parties (such as downstream production and distribution partners, financial investors, and authors of comics and literary works) are involved in the authorization, distribution and adaptation, depending on the theme of the adaptation and the value that the counterparty brings to the cooperation; and
- (iii) The scope of ancillary rights (such as joint investment rights and/or joint development rights, etc.) related to products adapted from comics and literary works to be agreed between some or all of the business partners.

AMENDMENT TO THE 2021 IP COOPERATION FRAMEWORK AGREEMENT AND THE PROPOSED ANNUAL CAPS

In view of the increasingly close business cooperation between the Group and Tencent Group, it is expected that new business cooperation will be reached in respect of intellectual property, and the business types and transaction amount will increase. The Board proposes to adjust the subject matter of the 2021 IP Cooperation Framework Agreement, amend the proposed annual cap for 2021 and supplement the proposed annual caps for 2022 and 2023.

ORIGINAL SUBJECT MATTER

The cooperation under the 2021 IP Cooperation Framework Agreement shall be in the form of: (i) resources investment for the development or adaption of the Originated Work, including but not limited to advertising resources and currencies; and (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales. The parties may further agree on the investment in the operation of the Originated Work separately.

ADJUSTED SUBJECT MATTER

The cooperation under the 2021 IP Cooperation Framework Agreement shall be in the form of: (i) resources investment for the development or adaption of the Originated Work, including but not limited to advertising resources and currencies; (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales; and (iii) operation of Tencent's self-owned and/or cooperative brands, IP and other products and/or services, including development, creation, production, online and offline promotion and sales, combined operations with goods and/or services self-owned by or entitled to Tencent, etc. The parties may further agree on the cooperation details separately.

THE ORIGINAL PROPOSED ANNUAL CAP AND ACTUAL TRANSACTION AMOUNT

Pursuant to the 2021 IP Cooperation Framework Agreement, the original proposed annual cap of the relevant fees payable by the Group to Tencent Group for the year ending December 31, 2021, and the actual transaction amount for the eight months ended August 31, 2021 are set out as follows:

	Original proposed annual cap for the year ending December 31, 2021 (RMB'000)	Actual transaction amount for the eight months ended August 31, 2021 (RMB'000)
Relevant fees payable by the Group to Tencent Group	<u>14,400</u>	<u>7,934</u>

Amended Proposed Annual Caps

Pursuant to the amended 2021 IP Cooperation Framework Agreement, the amended proposed annual caps of the relevant fees payable by the Group to Tencent Group for the three years ending December 31, 2023 is set out as follows:

	Year ending December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Relevant fees payable by the Group to Tencent Group	<u>20,400</u>	<u>30,000</u>	<u>46,000</u>

BASIS FOR DETERMINING THE AMENDED PROPOSED ANNUAL CAPS

In determining the amended proposed annual caps, the Board, after fair negotiation and discussion, is of the view that the business cooperation between the Group and Tencent Group is getting closer, and it is expected that new long-term and stable business cooperation will be reached in respect of intellectual property. The business types and transaction amount will increase accordingly. In order to meet actual business needs, the Board proposes to adjust the proposed annual cap for the 2021 IP Cooperation Framework Agreement, and to establish proposed annual caps for the years ending December 31, 2022 and December 31, 2023, respectively.

Although the subject matter and the proposed annual cap have been adjusted, the other terms of the 2021 IP Cooperation Framework Agreement remain unchanged.

The above subject matter and the adjustment of the proposed annual caps shall not and do not intend to indicate the future performance or profitability of the Group. Investors shall not rely on the adjusted subject matter or the amended proposed annual caps when deciding the investment in the Company's shares.

REASONS AND BENEFITS FOR THE AMENDMENT TO THE 2021 IP COOPERATION FRAMEWORK AGREEMENT AND THE PROPOSED ANNUAL CAP

The Company believes that the strengthening of cooperation with Tencent Group in accordance with the 2021 IP Cooperation Framework Agreement will encourage the parties to make full use of their competitive advantages, and further enhance the Group's intellectual property-related product development and operation capabilities, enrich the Group's sales channels, and enhance market visibility and market share of the business.

In view of the above, the directors consider that it is in the interest of the Group to continue the cooperate with Tencent Group under the 2021 IP Cooperation Framework Agreement, and that the transactions under the 2021 IP Cooperation Framework Agreement are entered into in the general and usual business course of the Group. In the opinion of the directors (including independent non-executive directors), the adjusted subject matter and the amended proposed annual caps are set on normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The non-executive directors Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu currently serve as senior management at Tencent. Therefore, they have abstained from voting on the relevant board resolutions to approve the adjusted subject matter and the amended proposed annual caps. Except for those disclosed above, the other directors shall not have or be deemed to have material interests in the transactions contemplated under the 2021 IP Cooperation Framework Agreement.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Tencent is the substantial shareholder of the Company, holding approximately 17.94% of the total issued shares of the Company through its wholly-owned subsidiaries, and Tencent Computer is a consolidated entity of Tencent. Therefore, Tencent Computer is a connected person of the Company under Rule 14A of the Listing Rules and the transactions contemplated under the 2021 IP Cooperation Framework Agreement constitute continuing connected transactions of the Company. Since the highest applicable percentage ratio of the Amended Proposed Annual Cap (as defined in Rule 14.07 of the Listing Rules) is more than 0.1% but less than 5% on an annual basis, the adjusted subject matter and the amended proposed annual caps shall comply with the reporting and announcement requirements under Rule 14A of the Listing Rules, but are exempt from independent shareholders' approval requirements.

INFORMATION ABOUT RELEVANT PARTIES

The Group is a leading digital entertainment platform in China. With online gaming business, SaaS business and regular chain stores of “WePlay” featuring offline leisure experience combing retail as its main business, it has created an “24/7 online & offline entertainment life circle”. Shenzhen iDreamSky is an integrated affiliate of the Company in China, mainly engaged in the R&D, distribution and operation of games through mobile applications and websites.

Tencent provides value-added services, online advertising, financial technology and corporate services to users in China through its subsidiaries. As a consolidated entity of Tencent, Tencent Computer is mainly engaged in providing value-added services and Internet advertising services in China.

By Order of the Board
iDreamSky Technology Holdings Limited
CHEN Xiangyu
Chairman

Shenzhen, the PRC, September 20, 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.