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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)

PROFIT WARNING
FOR THE YEAR ENDED 31 DECEMBER 2022

This announcement is made by iDreamSky Technology Holdings Limited (the “**Company**”, together with its subsidiaries and PRC consolidated affiliated entities, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment and analysis of the Group’s current unaudited consolidated management accounts for the year ended December 31, 2022 (“**FY2022**”) and the information currently available to the Board, the Group is expected to record a net loss (the “**Expected Net Loss**”) of approximately RMB2.4 billion to RMB2.6 billion for FY2022 as compared to a net loss of approximately RMB156 million for the year ended December 31, 2021, while the Group is expected to record a revenue of approximately RMB2.7 billion to RMB2.8 billion for FY2022.

The Expected Net Loss was mainly due to that: 1. the Group made impairment provisions for intangible assets and prepaid content supplier sharing fees; 2. the Group made goodwill impairment for the business acquisition of Tianjin Huohun Internet Technology Co., Ltd., and recognized losses from changes in fair value of certain investment companies; 3. the Group expects to make provision for impairment of financial assets and contract assets; and 4. the Group focused R&D investment in self-developed products in FY2022.

Due to the impact of the pandemic and other reasons, the industry ecology has changed, resulting in the operation of certain companies invested by the Group falling short of expectations. The Group has comprehensively assessed that there is a sign of loss in their fair value changes. Affected by the pandemic and other reasons, the frequent work-from-home of R&D personnel led to a decrease in R&D efficiency, a delay in the launch time of products, and an increase in R&D fixed costs. The progress of approval of game publication numbers has greatly affected the launch of the Company's reserve products. Therefore, the Group made provision for impairment on the book balance of some reserve games that missed the best time window for launching due to the progress of approval of publication numbers. The Group's core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group's game business strategy in the future.

Excluding non-cash losses such as intangible assets and prepaid content supplier share, provision for impairment of goodwill and other assets, and gains and losses from changes in fair value, the Group's operating cash flow from principal businesses remained positive, operating cash flow has improved significantly since the second half of FY2022, and maintained a stronger growth momentum in the first quarter of 2023. To date, the Group's operating cash flow is approximately RMB180 million to RMB220 million, with solid cash-generating capabilities. The overall revenue and profit of the Group's online core game products maintained a steady growth trend; with the changes in the epidemic policies and the acceleration of approval of game publication numbers, the business operation efficiency has returned to normal level, and the launch of products has been guaranteed. Two of the Group's key self-developed products, namely Calabiyau (卡拉彼丘) and Ni No Kuni: Cross Worlds (二之國:交錯世界), have been approved for publication and are expected to be launched in 2023. At the same time, the Group adopted cost reduction and efficiency enhancement measures in FY2022, optimized cost structure, focused on core R&D projects, and improved the commercialization level of launched products, which will be beneficial to the Group's cost control in 2023 and greatly improve management efficiency.

The information contained in this announcement (i) is based on data and information which are still being audited by the auditor of the Company; and (ii) has not been reviewed by the audit committee of the Company, and therefore may be subject to change. The information may also be subject to adjustments following further review and finalisation of the consolidated financial statements of the Group for FY2022 by the Board. Accordingly, the final consolidated financial statements of the Group for FY2022 and related information may be different from that contained in this announcement. Shareholders and potential investors are advised to refer to the details of the Group's financial performance for FY2022 to be disclosed in the annual results announcement which is expected to be published by the Company at the end of March 2023.

The Company will keep the Shareholders and potential investors informed of any material development in connection with the above matters by way of periodic announcement(s) and/or further announcement(s) as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Shenzhen, the PRC, March 27, 2023

As at the date of this announcement, the Board 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.