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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)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

References are made to (i) the Prospectus; (ii) the Company's announcements dated March 29, 2019 and June 1, 2020; and (iii) the Company's circular dated April 29, 2019 in relation to, among other things, the 2018 Advertising Cooperation Framework Agreement, the 2018 Payment Service Framework Agreement, the 2018 Products and Services Purchasing Framework Agreement, the 2018 IP Cooperation Framework Agreement and the 2018 Game Cooperation Framework Agreement.

On December 29, 2020, Shenzhen iDreamSky and Tencent Computer agreed to renew the 2018 Framework Agreements, by entering into (i) the 2021 Advertising Cooperation Framework Agreement in relation to, among other things, the cooperation on advertising of products and services of both parties; (ii) the 2021 Payment Service Framework Agreement in relation to, among other things, the provision of payment services by Tencent Group to the Group; (iii) the 2021 Products and Services Purchasing Framework Agreement, in relation to, among other things, the provision of provide comprehensive services and products by Tencent Group to the Group; (iv) the 2021 IP Cooperation Framework Agreement in relation to, among other things, the cooperation on comics between the parties; and (v) the 2021 Game Cooperation Framework Agreement, in relation to, among other things, the corporation on games between the parties.

### **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 18.59% 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 each of the 2021 Advertising Cooperation Framework Agreement, the 2021 Payment Service Framework Agreement, the 2021 Products and Services Purchasing Framework Agreement, the 2021 IP Cooperation Framework Agreement 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 in respect of the annual caps for each of (i) the 2021 Advertising Cooperation Framework Agreement, (ii) the 2021 Payment Service Framework Agreement, (iii) the 2021 Products and Services Purchasing Framework Agreement, (iv) the 2021 IP Cooperation Framework Agreement and (v) the 2021 Game Cooperation Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

References are made to (i) the Prospectus; (ii) the Company's announcement dated March 29, 2019 and June 1, 2020; and (iii) the Company's circular dated April 29, 2019 in relation to, among other things, the 2018 Framework Agreements. As disclosed in the Prospectus, each of the 2018 Framework Agreements shall expire on December 31, 2020.

On December 29, 2020, Shenzhen iDreamSky and Tencent Computer agreed to renew the 2018 Framework Agreements, by entering into (i) the 2021 Advertising Cooperation Framework Agreement in relation to, among other things, the cooperation on advertising of products and services of both parties; (ii) the 2021 Payment Service Framework Agreement in relation to, among other things, the provision of payment services by Tencent Group to the Group; (iii) the 2021 Products and Services Purchasing Framework Agreement, in relation to, among other things, the provision of provide comprehensive services and products by Tencent Group to the Group; (iv) the 2021 IP Cooperation Framework Agreement in relation to, among other things, the cooperation on comics between the parties; and (v) the 2021 Game Cooperation Framework Agreement, in relation to, among other things, the corporation on games between the parties.

### **1. 2021 Advertising Cooperation Framework Agreement**

Principal terms of the 2021 Advertising Cooperation Framework Agreement are set out as follows:

<b>Date</b>	:	December 29, 2020
<b>Parties</b>	:	(1) Shenzhen iDreamSky, and (2) Tencent Computer
<b>Terms</b>	:	From January 1, 2021 to December 31, 2023

**Subject matter** : Pursuant to the 2021 Advertising Cooperation Framework Agreement, Shenzhen iDreamSky and Tencent Computer agreed to cooperate on, including, but not limited to:

- (A) the provision of advertising service by Shenzhen iDreamSky to Tencent Computer and/or its associate to promote its products or services through platforms operated or engaged by Shenzhen iDreamSky, in return for service fees payable by Tencent Computer to the Group; and
- (B) acting as an intermediary to link the user traffic of third parties with advertising services offered by Tencent Group. The Group will conduct collective negotiation with Tencent Group in respect of the advertising services offered by Tencent Group in return for service fees payable by the relevant third parties to the Group.

The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

**Fee arrangements** : In return for the advertising services provided, Tencent Group shall pay the Group an advertising service fee using one or more of the following methods, depending on the means of cooperation and the platforms where the advertising services are provided:

- (a) Cost-Per-Time: charged on the basis of length of duration of advertising services;
- (b) Cost-Per-Click: charged on the basis of the price of each click and number of clicks of online users;
- (c) Cost-Per-Download: charged on the basis of actual download volumes of the Company's products or services;
- (d) Cost-Per-Activation: charged on the basis of number of newly activated users;
- (e) Cost-Per-Sale: charged on the basis of revenue generated from users procured through each other's platform;

- (f) Cost-Per-Mille: charged on the basis of the number of impressions (expressed in thousands) generated by online users;
- (g) fixed amount of advertising fee; and
- (h) other fee arrangements agreed by the parties.

The channel expense will be agreed by the parties separately.

### ***Pricing Policy***

The advertising services fees will be determined after arm's length negotiation between the parties with reference to the prevailing market rates announced by the parties.

### ***Historical Amounts***

The historical amounts of advertising services fees paid by Tencent Group to the Group under the 2018 Advertising Cooperation Framework Agreement for the two years ended December 31, 2019 and the ten months ended October 31, 2020 are set out as follows:

	<b>For the year ended December 31,</b>		<b>For the ten months ended</b>
	<b>2018</b>	<b>2019</b>	<b>October 31,</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
			(unaudited)
Advertising service fee paid by Tencent Group to the Group	9,535	11,366	24,491

### ***Annual Caps and Basis of Determination***

The proposed annual caps for the advertising services fees payable by Tencent Group to the Group under the 2021 Advertising Cooperation Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Advertising service fee payable by Tencent Group to the Group	46,800	46,800	52,800

The above annual caps for the three years ending December 31, 2023 were determined with reference to (i) the historical amounts of advertising services fees paid by Tencent Group to the Group under the 2018 Advertising Cooperation Framework Agreement for the two years ended December 31, 2019 and the ten months ended October 31, 2020, (ii) the expected growth in daily average online time of the Group's users; (c) the year-on-year increase of approximately 18.1% of the revenue of the Company for the year ended December 31, 2019; (d) the Group's demand for advertising services is expected to increase due to (A) the high quality games with large user base that the Group continues to develop, launch and upgrade and (B) its constant acquisition of external traffic to monetize the Group's advertising services; and (e) the increasing scale of the Group's operation and the estimated increase in the future needs of Tencent Group after arm's length negotiation and discussion.

## **Reasons for and Benefits of the 2021 Advertising Cooperation Framework Agreement**

The Company believes that the enhanced cooperation with Tencent Group pursuant to the 2021 Advertising Cooperation Framework Agreement will enable both parties to leverage the competitive edges of each other, and further increase the Group's advertising service business.

## **2. 2021 Payment Service Framework Agreement**

Principal terms of the 2021 Payment Service Framework Agreement are set out as follows:

<b>Date</b>	:	December 29, 2020
<b>Parties</b>	:	(1) Shenzhen iDreamSky, and (2) Tencent Computer
<b>Terms</b>	:	From January 1, 2021 to December 31, 2023
<b>Subject matter</b>	:	Pursuant to the 2021 Payment Service Framework Agreement, Tencent Computer agreed to provide the Group with payment services through the payment channels of Tencent Group so as to enable the Group's users to conduct online transactions.
<b>Fee arrangements</b>	:	In return for the payment services provided, the Group shall pay a payment service fee to Tencent Group. The precise scope of payment service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

## ***Pricing Policy***

The service fee will be determined after arm's length negotiation between the parties with reference to prevailing market rates. The service fee rate and calculation method shall be agreed between the parties separately. In particular, Tencent Group has prescribed for standard service fee rates depending on the industry, all of which are published on the website operated by Tencent Group. Taking into account the relatively stable service fee rates charged by Tencent Group during the term of the 2018 Payment Service Framework Agreement, the Directors have assumed that such service fee rate will remain stable at a rate comparable to that charged during the term of the 2018 Payment Service Framework Agreement in calculating the annual caps for the service fee under the 2021 Payment Service Framework Agreement.

Before entering into any payment service agreement pursuant to the 2021 Payment Service Framework Agreement, the Company will assess its needs and compare the service fee rates and other commercial factors proposed by Tencent Group with those offered by other comparable service providers.

## ***Historical Amounts***

The historical amounts of payment services fees paid by the Group to Tencent Group under the 2018 Payment Service Framework Agreement for the two years ended December 31, 2019 and the ten months ended October 31, 2020 are set out as follows:

	<b>For the year ended December 31,</b>		<b>For the ten months ended</b>
	<b>2018</b>	<b>2019</b>	<b>October 31,</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Payment service fee paid by the Group to Tencent Group	1,367	1,606	1,252 (unaudited)

### ***Annual Caps and Basis of Determination***

The proposed annual caps for the payment services fees payable by the Group to Tencent Group under the 2021 Payment Service Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Payment service fee payable by the Group to Tencent Group	4,320	5,184	6,221

The above annual caps for the three years ending December 31, 2023 were determined with reference to the expected growth of the Group's income from user purchases, online and offline, through Tencent Group's channel, including (i) the gross billing attributable to payment channels operated by Tencent Group as compared to the total gross billing of the Group for each of the three years ended December 31, 2020; (ii) the average monthly payment service fee of approximately RMB300,000 for the most recent two months ended November 30, 2020; and (iii) an expected increase of 20% in gross billing amount with reference to the year-on-year increase of approximately 18.1% of the revenue of the Company for the year ended December 31, 2019.

### ***Reasons for and Benefits of the 2021 Payment Service Framework Agreement***

The Company considers that, taking into account the limited choices of online payment channels in the PRC, the leading position of Tencent Group in the PRC online payment service industry and the Company's users' profile where many of its users are existing users of Tencent Group's online payment services, the 2021 Payment Service Framework Agreement would enable the Group to provide its users access to payment channels of Tencent Group and thus enhance its users' satisfactions with the Group's services.

### 3. 2021 Products and Services Purchasing Framework Agreement

Principal terms of the 2021 Products and Services Purchasing Framework Agreement are set out as follows:

- Date** : December 29, 2020
- Parties** : (1) Shenzhen iDreamSky, and  
(2) Tencent Computer
- Terms** : From January 1, 2021 to December 31, 2023
- Subject matter** : Pursuant to the 2021 Products and Services Purchasing Framework Agreement, Tencent Computer (or through its designated company) agreed to provide comprehensive services and products to the Group, including but not limited to the following technical products and services:
- cloud services, cloud storage, cloud service-related technical support; and
  - SMS channel service, CDN network acceleration service, domain name resolution acceleration service.
- Fee arrangements** : In return for the comprehensive services and products provided, the Group shall pay procurement fees in return for the products and services provided by Tencent Group.

The precise scope of the products and services provided by Tencent Group, the procurement fees, method of payment and other details of the products and service arrangement will be agreed between the relevant parties separately.



## ***Pricing Policy***

The procurement fees for the products and services will be the official price published by Tencent Group at the time of procurement. The parties shall agree separately on the discount, if any. During the previous two years ended December 31, 2020 and up to the date of this announcement, the procurement fee rates for the products and services the Group purchased from Tencent Group have remained relatively stable. Such fee rates are published by Tencent Group on its websites and will be charged by Tencent Group depending on the range of products and the specifications of the products and services to be procured from Tencent Group. Accordingly, procurement rates for each period would vary and depend on the specific requirements of the different games operated during that period. For example, the procurement rates of cloud server services listed on Tencent Group official website would vary based on the (1) hardware specifications; (2) bandwidth (ranging from 1MB to 200MB); (3) various types of operating systems; (4) nine types of period of purchase (ranging from one month to five years, with fixed rates of discounts offered for longer periods); and (5) region of service selected by the Company when purchasing the cloud server services package from Tencent Group website. In calculating the annual caps for the procurement fees under the 2021 Products and Services Purchasing Framework Agreement, the Directors have assumed such procurement fees rates to remain stable at a rate comparable to that charged during the term of the 2018 Products and Services Purchasing Framework Agreement.

## ***Historical Amounts***

The historical amounts of procurement services fees paid by the Group to Tencent Group under 2018 Products and Services Purchasing Framework Agreement for the two years ended December 31, 2019 and the ten months ended October 31, 2020 are set out as follows:

	<b>For the year ended December 31,</b>		<b>For the ten months ended</b>
	<b>2018</b>	<b>2019</b>	<b>October 31,</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
			(unaudited)
Procurement fees paid by the Group to Tencent Group for products and services	14,297	14,944	13,499

## ***Annual Caps and Basis of Determination***

The proposed annual caps for the procurement services fees payable by the Group to Tencent Group under the 2021 Products and Services Purchasing Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Procurement fees paid by the Group to			
Tencent Group for products and services	21,000	27,300	35,490

The proposed annual caps were determined based on the historical amounts with reference to the expected future procurement needs of the Group, primarily including (i) percentage of its expenses in relation to procurement fees paid by the Group for products and services (including but not limited to cloud services and other related services) of Tencent Group will remain at the similar level of the Group's total revenue for the year ending December 31, 2021; (ii) year-on-year increase of approximately 18.1% of the revenue of the Company for the year ended December 31, 2019; (iii) the Company's plan to continue to migrate games and user data to Tencent Cloud and store games and user data on Tencent Group's cloud services; and (iv) the increasing scale of the Group's operation and the estimated increase in the future needs of Tencent Group after arm's length negotiation and discussion, taking into account that the Group plans to procure cloud service from Tencent Group for five to six new games in the three years ending December 31, 2023.

## **Reasons for and Benefits of the 2021 Products and Services Purchasing Framework Agreement**

Tencent is a leading provider of Internet value added service in the PRC, and offers a wide range of high-quality products and services. The Group has migrated the majority of its servers and computing infrastructure to Tencent Cloud and the Group became one of the few game publishers in China fully integrating cloud technology into game infrastructure. The Directors believe that the procurement of high-quality services and products from Tencent Group, especially technological products and services, will provide the Group with the necessary technologies to further develop its business, and the Company can leverage on the wide spectrum of products and services offered by Tencent Group to reduce unnecessary costs in reconciling and integrating the differences between different systems.

In addition, the Group also purchases virtual products and peripheral gaming products from Tencent Group as part of its digital entertainment offering for its users in its marketing events, taking into account the popularity of those virtual and physical gaming products among its users.

#### 4. 2021 IP Cooperation Framework Agreement

Principal terms of the 2021 IP Cooperation Framework Agreement are set out as follows:

- Date** : December 29, 2020
- Parties** : (1) Shenzhen iDreamSky, and  
(2) Tencent Computer
- Terms** : From January 1, 2021 to December 31, 2021
- 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 comics work (“**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.
- Fee arrangements** : The parties may agree on the following fee arrangements pursuant to the 2021 IP Cooperation Framework Agreement:
- fixed amount licensing or distribution fee;
  - revenue/profit sharing between the parties; or
  - mixture of the above.

#### *Pricing Policy*

The commercial arrangements to be agreed between the Group and Tencent Group will vary from project to project and will be determined by taking into account the following factors:

- (i) various commercial factors such as the nature, popularity and commercial potential of the subject project and market practice for similar projects;
- (ii) whether the licensing, distribution and adaptation may involve other third parties (such as downstream production and distribution partners, financial investors and comics and literary work writers), which depend on the subject of the adaptation and the value that the counterparties are able to bring to the cooperation; and

- (iii) the range of ancillary rights to be agreed, such as co-investment rights and/or co-development rights in relation to products to be adapted from comics and literary works among some or all cooperating business partners.

### ***Historical Amounts***

As the relevant IP projects where the Group cooperated with Tencent Group under the 2018 IP Cooperation Framework Agreement were still at preliminary stage involving preparation work from both parties in 2018 and 2019, there were no fees paid by the Group or Tencent Group to the other (as the case may be) for the two years ended December 31, 2018 and 2019 under the 2018 IP Cooperation Framework Agreement. For the ten months ended October 31, 2020, the development fee in respect of comics and comics adaptation work paid by the Group to Tencent Group was approximately RMB1,722,000. There was no licensing fees paid by the Group to Tencent Group as the relevant IP works which the Group previously anticipated for adaption were still in development and not yet ready for adaption into games.

## ***Annual Cap and Basis of Determination***

In respect of the development and adaptation of comics work, the proposed annual cap for the year ending December 31, 2021 are set out as follows:

**For the  
year ending  
December 31,  
2021  
(RMB'000)**

Development fee in respect of comics and comics adaptation work payable by the Group to Tencent Group (i.e. where the Company and Tencent Group cooperate and invest in the development of comics and comics adaption work and the Company shall pay the development fee to Tencent Group)	14,400
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The proposed annual cap was determined based on the future business needs of the Group and Tencent Group taking into account: (a) the scale of comics work the Group is nurturing together with Tencent; (b) the number of comic work and PC and web games that may have adaptation potential; (c) the anticipated revenue that may be generated from comics work, adaptation work and mobile games adapted from comic work and PC and web games; and (d) the plan of the Company to cooperate with Tencent Group on Me, The Almighty God (我是大神仙) and its development stages.

### **Reasons for and Benefits of the 2021 IP Cooperation Framework Agreement**

Whilst Tencent is a leading provider of the Internet value added service in the PRC, the Company expects that cooperation with Tencent Group relating to the comics will monetize the Company's comics work and strengthen and diversify its product portfolio through the adaptation of comics work. For example, in cooperation with Tencent, the Company has been commencing the animation production of a popular comic book titled Me, The Almighty God (我是大神仙) in cooperation with Tencent since early 2018.

## 5. 2021 Game Cooperation Framework Agreement

Principal terms of the 2021 Game Cooperation Framework Agreement are set out as follows:

- Date** : December 29, 2020
- Parties** : (1) Shenzhen iDreamSky, and  
(2) Tencent Computer
- Terms** : From January 1, 2021 to December 31, 2023
- Subject matter** : Pursuant to the 2021 Game Cooperation Framework Agreement, the Group and the 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 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.

- Fee arrangements** : The distribution fees and/or licensing fees payable by the Group or Tencent Group (as the case may be) for the distribution and/or licensing of the Group's (or the games licensed to the Group by third parties) or Tencent Group's games to the other's platforms by the Group 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.

## ***Historical Amounts***

The aggregate amounts of distribution fees paid and/or revenue shared by the Group to Tencent Group and the distribution fees paid and/or revenue shared by Tencent Group to the Group for the two years ended December 31, 2019 and the ten months ended October 31, 2020 are as set out in the table below:

	<b>For the year ended December 31,</b>		<b>For the ten months ended</b>
	<b>2018</b>	<b>2019</b>	<b>October 31,</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>2020</b>
			<i>(RMB'000)</i>
			(unaudited)
(a) Distribution fees paid by the Group to Tencent Computer (i.e. where the Group engaged Tencent Computer for distribution of its game)	23,189	17,326	7,337
(b) Licensing fee paid by Tencent Group to the Group in the form of revenue sharing (i.e. where the Group engaged Tencent Group for publishing of the games and games licensed to the Group by third parties)	31,078	41,324	32,002
(c) Licensing fees paid by the Group to Tencent Group (i.e. where the Group licensed, and Tencent Group engaged us for publishing and operation of, the games of Tencent Group)	0	0	0
(d) Customized development fee paid by Tencent Group to the Group (i.e. where Tencent Group engaged us for development of certain specialize area of Tencent Group's games)	0	943	0

### ***Annual Caps and Basis of Determination***

The proposed 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 are set out in the table below:

	<b>For the year ending December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<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 fee payable by Tencent Group to the Group in the form of revenue sharing (i.e. where the Group engages Tencent Group for publishing of the 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

*Note:* As of the date of this announcement, the Group does not expect that there will be any further cooperation between Tencent Group and the Company on customized development of games (where Tencent Group engaged the Company for development of certain specialize area of Tencent Group's games, the historical amount of fees paid by Tencent Group to the Company was set out as (d) in the above "Historical amount" section) in the upcoming three years ending December 31, 2023.



With reference to the historical amounts between the Group and Tencent Group, the proposed annual caps were determined based on the future business growth of the Group with Tencent Group after arm's length discussion. In particular:

- (a) In determining the above proposed annual caps in respect of distribution fee payable by the Group to Tencent Group, the annual caps have been determined by the Directors based on the historical distribution fees and/or revenue shared by the Group to Tencent Computer for the two years ended December 31, 2019 and the ten months ended October 31, 2020, taking into account an estimated subsequent annual growth rate of approximately 20% determined with reference to the year-on-year increase of approximately 18.1% of the revenue of the Company for the year ended December 31, 2019. The growth rate is determined by the Directors based on the assumed growth in the Company's business, the operational capacity of the Group and the estimated revenue that may be generated from the games with reference to the historical transaction amount during the term of 2018 Game Cooperation Framework Agreement.
- (b) In determining the above proposed annual caps in respect of licensing fee payable by Tencent Group to the Group in the form of revenue sharing, the Directors have considered the number and scale of games the Group owns and those being licensed to the Group by third parties to be distributed on the platforms of Tencent Group, the games of Tencent Group to be licensed by the Group and the respective revenue expected to be generated and the lifecycles of such games. In particular, taking into account (i) the general popularity of game products and game platforms owned by Tencent Group, (ii) the Company's active sourcing and licensing of games of different genres from global game developers, and (iii) the Company's plan to distribute more games (including both our games and games being licensed to us) through the platforms of Tencent Group, the Company expects to cooperate with Tencent Group more closely on game distribution and publishing which will further enhance its capabilities in offering game publishing solution to game developers. More specifically, the Group plans to engage Tencent Group to distribute games (including both its games and games being licensed to the Company) through the platforms of Tencent Group, and expects to launch one additional game for the year ending December 31, 2021. The table below indicates the breakdown of annual caps in relation to licensing fee payable and/or revenue to be shared by Tencent Group to the Group by reference to games which the Group has distributed and will continue to operate, and such game to be distributed through the platforms of Tencent Group:

	<b>For the year ending December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Game A</b>	28,739	19,541	12,900
<b>Game B</b>	7,000	4,900	3,500
<b>Game C</b>	10,500	10,500	10,500
<b>Game D</b>	46,667	91,000	98,000
	<u>92,906</u>	<u>125,941</u>	<u>124,900</u>
<b>Total</b>	<u>92,906</u>	<u>125,941</u>	<u>124,900</u>

- (c) Although there is no historical amount in respect of the licensing fee payable by the Group to Tencent Group for the previous three years ended December 31, 2020, the Group expects that there will be cooperation with Tencent Group in this regard on one or more games for the three years ending December 31, 2023 based on the information available as of the date of this announcement. In determining the above annual caps in respect of the licensing fee payable by the Group to Tencent Group, the Directors have considered the number and popularity of games of Tencent Group that the Company may be engaged for distribution and operation after arms' length negotiation and discussion.

### ***Reasons for and Benefits of the 2021 Game Cooperation Framework Agreement***

Tencent Group owns a large amount of top-rated game products and game platforms, and the Group has been dedicated to the production and operation of popular games. It is expected that Tencent Group and the Group could leverage on each other's competitive advantages in products and platforms to improve the popularity of games owned by each other and increase the number of platform users and leverage on each other's game development capabilities. In addition, as a one-stop game publishing solution to game developers, we are able to leverage on the Game Cooperation Framework Agreement and distribute the games licensed to us from global game developers through our cooperation with Tencent.

### **INTERNAL CONTROL MEASURES**

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favourable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, the Group has adopted the following internal control procedures:

- (a) the Board and various internal departments of the Company (including finance, legal and compliance, business operation, and internal audit departments) will be jointly responsible for evaluating the terms under the framework agreements for the continuing connected transactions, in particular, the fairness and reasonableness of the pricing policies and proposed annual caps under each transaction;
- (b) all members of the Group will be required to report to, and the finance department of the Company will closely monitor, the actual transaction amounts relating to its continuing connected transactions on a monthly basis. If the actual transaction amount reaches 85% of the proposed annual caps of the relevant continuing connected transactions at any time, the matter shall promptly be escalated to the chief financial officer, who will seek advice from the audit committee of the Company and the Board for appropriate measures, including but not limited to revising the relevant proposed annual caps in accordance with the requirements of the Listing Rules, if necessary;

- (c) prior to renewing the existing business and/or entering into a new form of business with any connected person, the relevant business operation department shall first report to the finance and legal and compliance departments, and the senior management shall assess whether the scope and relevant proposed annual caps of the existing continuing connected transactions should be amended and/or new framework agreement should be entered into for such new transactions;
- (d) the Company will arrange for regular training for its employees, including the business operation, finance, legal and compliance departments, to strengthen their familiarity of the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions;
- (e) the Company's internal audit team will monitor the effectiveness and adequacy of the internal control measures, and will make recommendation and report to the audit committee of the Company on a regular basis; and
- (f) the independent non-executive Directors and auditor of the Company will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted on normal commercial terms and in accordance with the pricing policy.

## **OPINION FROM THE BOARD**

The Directors (including the independent non-executive Directors) are of the view that the terms of each of (i) the 2021 Advertising Cooperation Framework Agreement, (ii) the 2021 Payment Service Framework Agreement, (iii) the 2021 Products and Services Purchasing Framework Agreement, (iv) the 2021 IP Cooperation Framework Agreement, and (v) the 2021 Game Cooperation Framework Agreement were determined after arm's length negotiation, and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2023) are conducted in the ordinary and usual business of the Company and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu, all being Directors, are employees of Tencent and have therefore abstained from voting on the relevant Board resolutions approving each of (i) the 2021 Advertising Cooperation Framework Agreement, (ii) the 2021 Payment Service Framework Agreement, (iii) the 2021 Products and Services Purchasing Framework Agreement, (iv) the 2021 IP Cooperation Framework Agreement, and (v) the 2021 Game Cooperation Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the transactions contemplated under each of (i) the 2021 Advertising Cooperation Framework Agreement, (ii) the 2021 Payment Service Framework Agreement, (iii) the 2021 Products and Services Purchasing Framework Agreement, (iv) the 2021 IP Cooperation Framework Agreement, and (v) the 2021 Game Cooperation Framework Agreement.

## **INFORMATION ON THE PARTIES**

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 consolidated affiliated entity of Tencent and is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC.

## 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 18.59% 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 each of the 2021 Advertising Cooperation Framework Agreement, the 2021 Payment Service Framework Agreement, the 2021 Products and Services Purchasing Framework Agreement, the 2021 IP Cooperation Framework Agreement 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 in respect of the annual caps for each of (i) the 2021 Advertising Cooperation Framework Agreement, (ii) the 2021 Payment Service Framework Agreement, (iii) the 2021 Products and Services Purchasing Framework Agreement, (iv) the 2021 IP Cooperation Framework Agreement and (v) the 2021 Game Cooperation Framework Agreement, is more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	iDreamSky Technology Holdings Limited (创梦天地科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange under stock code 01119
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company who, to the best of our Directors’ knowledge, information and belief, having made reasonable enquiries, is not a connected person (within the meaning of the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Prospectus”	the prospectus of the Company dated November 26, 2018
“RMB”	Renminbi, legal currency of the PRC
“Shareholders”	holder(s) of share(s) of the Company
“Shenzhen iDreamSky”	Shenzhen iDreamSky Technology Co., Ltd. (深圳市创梦天地科技有限公司), a company established in the PRC on February 14, 2011 and a subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited, one of our substantial shareholders, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board of Stock Exchange under stock code: 700
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a subsidiary of Tencent
“Tencent Group”	Tencent and its subsidiaries from time to time

“2018 Advertising Cooperation Framework Agreement”	the advertising cooperation framework agreement dated November 21, 2018 entered into between Shenzhen iDreamSky and Tencent Computer
“2018 Payment Service Framework Agreement”	the payment service framework agreement dated November 21, 2018 entered into between Shenzhen iDreamSky and Tencent Computer
“2018 Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement dated November 21, 2018 entered into between Shenzhen iDreamSky and Tencent Computer
“2018 IP Cooperation Framework Agreement”	the IP cooperation framework agreement dated November 21, 2018 entered into between Shenzhen iDreamSky and Tencent Computer
“2018 Game Cooperation Framework Agreement”	the game cooperation framework agreement dated November 21, 2018 entered into between Shenzhen iDreamSky and Tencent Computer
“2018 Framework Agreements”	the 2018 Advertising Cooperation Framework Agreement, the 2018 Payment Service Framework Agreement, the 2018 Products and Services Purchasing Framework Agreement, the 2018 IP Cooperation Framework Agreement and the 2018 Game Cooperation Framework Agreement
“2021 Advertising Cooperation Framework Agreement”	the advertising cooperation framework agreement dated December 29, 2020 entered into between Shenzhen iDreamSky and Tencent Computer
“2021 Payment Service Framework Agreement”	the payment service framework agreement dated December 29, 2020 entered into between Shenzhen iDreamSky and Tencent Computer
“2021 Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement dated December 29, 2020 entered into between Shenzhen iDreamSky and Tencent Computer

“2021 IP Cooperation Framework Agreement”	the IP cooperation framework agreement dated December 29, 2020 entered into between Shenzhen iDreamSky and Tencent Computer
“2021 Game Cooperation Framework Agreement”	the game cooperation framework agreement dated December 29, 2020 entered into between Shenzhen iDreamSky and Tencent Computer
“%”	per cent

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

Shenzhen, the PRC, December 29, 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.*