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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 2020

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 of the Company (the “**Board**”) 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 31 December 2020 (the “**FY2020**”) and the information currently available to the Board, the Group is expected to record a net loss for FY2020 (the “**Expected Net Loss**”) of approximately RMB550 million to RMB650 million, as compared to a net profit of RMB360 million for the year ended 31 December 2019 (“**FY2019**”).

While the Group’s total revenue for FY2020 is expected to increase by approximately 15% from that of FY2019, the Expected Net Loss is mainly attributable to the following:

- (1) the Group’s expected impairment of goodwill amounting to approximately RMB490 million to RMB510 million arising from our business acquisition of Shanghai Huohun Internet Technology Co., Ltd. (“**Shanghai Huohun**”). The foregoing impairment was primarily resulted from the fact that some of Shanghai Huohun’s games are not able to be released as planned while the performance of its existing games are not as ideal as expected.

- (2) the significant increase in the Group's investment in research and development by approximately RMB140 million, which was primarily driven by the Group's core strategy to enhance in-house game development capabilities and the Group's commitment to develop a new tool for private traffic management. The aforesaid tool is intended to help the content providers manage their private traffic, which can allow the Group to further reduce the cost for acquiring customers.
- (3) the recognition of a potential impairment loss of approximately RMB80 million to RMB100 million arising from the Group's investments accounted for using the equity method, and the recognition of fair value losses amounting to approximately RMB15 million to RMB25 million in association with the Group's investments in financial assets at fair value through profit or loss. Based on currently available information, there are various factors which are relevant to the recognition of the impairment loss and the fair value loss. These factors include the deterioration of the operating conditions for some investee companies arising from the negative impact of COVID-19 pandemic.
- (4) an impairment provision amounting to approximately RMB130 million to RMB150 million is expected to be made against certain game license fees and prepaid revenue sharing to content providers, which is primarily attributable to the following: (i) certain games are no longer align with the Group's new future business focus due to the adjustment of its business strategy; and (ii) some of the games would expire in the first half of 2021 according to the existing contracts, but the Group is yet to reach an extension agreement with the relevant game developer in 2020.
- (5) the increase of interest expenses from RMB43 million for FY2019 to approximately RMB100 million for FY2020 with respect to the new borrowings acquired by the Group and the convertible bonds issued by the Group in FY2020. The new financing is mainly used to increase the Group's investments in research and development of new products as well as expand its operation, including the development of its SaaS business and offline entertainment services.

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 FY2020 by the Board. Accordingly, the final consolidated financial statements of the Group for FY2020 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 FY2020 to be disclosed in the annual results announcement which is expected to be published by the Company in March 2021.

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 of the Board

Shenzhen, the PRC, 11 March 2021

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.