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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)

**CONNECTED TRANSACTION IN RELATION
TO THE PROPOSED DISPOSAL OF 4.99% EQUITY
INTEREST IN THE TARGET**

PROPOSED DISPOSAL AND PROPOSED INVESTMENT

The Board is pleased to announce that on March 25, 2021 (after trading hours), Shenzhen iDreamsky has entered into the Investment Agreement with the Investor, pursuant to which Shenzhen iDreamsky agreed to sell and the Investor has conditionally agreed to acquire approximately 4.99% of the equity interest of the Target at the consideration of RMB6.75 million in cash.

As at the date of this announcement and immediately before the Completion, the Target is held by Shenzhen iDreamsky as to approximately 7.48%. Upon the Completion, the Target will be held by Shenzhen iDreamsky as to approximately 2.24%.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent is a substantial shareholder holding through its wholly-owned subsidiaries approximately 18.59% of the total issued shares of the Company. The Investor is a wholly owned subsidiary of Shenzhen Tencent Industry Fund (a subsidiary of Tencent), and is therefore a connected person of the Company. Accordingly, the Proposed Disposal is the connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Proposed Disposal is more than 0.1% but all the percentage ratios are below 5%, the Proposed Disposal is therefore subject to reporting and announcement requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on March 25, 2021, Shenzhen iDreamsky has entered into the Investment Agreement with the Investor, pursuant to which Shenzhen iDreamsky agreed to sell and the Investor has conditionally agreed to acquire approximately 4.99% of the equity interest of the Target at the consideration of RMB6.75 million in cash.

THE INVESTMENT AGREEMENT

Principal terms of the Investment Agreement are set out as follows:

- Date** : March 25, 2021 (after trading hours)
- Parties** : (1) Shenzhen iDreamSky (as vendor); and
(2) the Investor (as purchaser)
- Subject matter** : Pursuant to the Investment Agreement, Shenzhen iDreamsky have agreed to sell approximately 4.99% of the equity interest of the Target to the Investor.
- Consideration** : The consideration for the Proposed Disposal of 4.99% of the equity interest in the Target by Shenzhen iDreamsky is RMB6.75 million payable by the Investor to Shenzhen iDreamsky in cash, within five business days after the conditions precedent as prescribed in the Investment Agreement is satisfied or waived (as the case may be).
- Basis of the Consideration** : The consideration was determined after arm's length negotiations between Shenzhen iDreamsky and the Investor taking into account, among other things, (i) the registered capital of the Target at RMB1,029,877; (ii) the net assets value of the Target as at December 31, 2020 of approximately RMB8,576,550.31 extracted from the Target's unaudited management account for the year ended December 31, 2020; (iii) the prospects of the operation of the Target; and (iv) the reasons for and benefits of the Proposed Disposal as disclosed below.

- Conditions precedent** : Completion of the Proposed Disposal is subject to the satisfaction or waiver of certain conditions precedent as set out in the Investment Agreement, including (among others):
- (i) the Investor having obtained all the internal clearance and approvals in relation to the Proposed Disposal;
 - (ii) the waiver of the preemptive rights (if any) by other shareholders of the Target who, to the best of our Director's knowledge, information and belief having made all reasonable enquiry as at the date of this announcement, are Independent Third Parties;
 - (iii) the representations and warranties made by Shenzhen iDreamSky remaining to be true and accurate in all respects and not misleading in any respect as at the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date; and
 - (iv) Shenzhen iDreamsky confirming in writing the bank account information for consideration

- Completion** : The Completion shall take place immediately upon the payment by the Investor of the consideration for the Proposed Disposal within five business days after the satisfaction or waiver (if applicable) of the above conditions precedent. Upon the Completion, the Target will be held by Shenzhen iDreamsky as to approximately 2.24%.

FINANCIAL INFORMATION OF THE TARGET

According to the financial statements prepared in accordance with China Accounting Standards for Business Enterprises, the net asset value of the Target is RMB8,576,550.31 as of December 31, 2020. The financial information of the Target for the years ended December 31, 2019 and 2020 is set out below:

	For the year ended December 31,	
	2019	2020
Net loss before taxation and extraordinary items	(1,807,570.72)	(461,695.30)
Net loss after taxation and extraordinary items	(1,807,570.72)	(461,695.30)

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Company considers Tencent as a leading provider of the Internet value added service in the PRC, and the Proposed Disposal to Tencent will enable Tencent and our Company to further cooperate on the investment in the Target. The Company expects that such cooperation with the Tencent Group will further strengthen and diversify its business profile.

The Company expects a gain from the Proposed Disposal to be approximately RMB6.08 million. The actual gain as a result of the Proposed Disposal to be recorded by the Company is subject to a final audit to be performed by the Company's auditors.

The proceeds from the Proposed Disposal will be used for the future development of the Group, including but not limited to strengthening the core content creation business, building the content ecosystem and maintaining the competitiveness of the Company through mergers and acquisitions activities.

OPINION FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment Agreement and the Proposed Disposal 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 Investment Agreement and the Proposed Disposal.

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, online advertising and FinTech and business services to users mainly in the PRC. The Investor is a wholly owned subsidiary of Shenzhen Tencent Industry Fund (a subsidiary of Tencent) and primarily engaged in investment management in the PRC.

The Target is principally engaged in game research and development.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent is a substantial shareholder holding through its wholly-owned subsidiaries approximately 18.59% of the total issued shares of the Company. The Investor is a wholly owned subsidiary of Shenzhen Tencent Industry Fund (a subsidiary of Tencent), and is therefore a connected person of the Company. Accordingly, the Proposed Disposal is the connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Proposed Disposal is more than 0.1% but all the percentage ratios are below 5%, the Proposed Disposal is therefore subject to reporting and announcement requirements but exempt from circular and independent shareholders' approval requirements 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
“Completion”	the completion of the Proposed Disposal
“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)
“Investment Agreement”	an investment agreement among Shenzhen iDreamsky and the Investor, dated March 25, 2021 in relation to the Proposed Disposal
“Investor”	Linzhi Tencent Investment Management Co., Ltd. (林芝騰訊投資管理有限公司), a wholly owned subsidiary of Shenzhen Tencent Industry Fund
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Proposed Disposal”	the disposal of approximately 4.99% of the equity interest of the Target by Shenzhen iDreamsky to the Investor
“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
“Shenzhen Tencent Industry Fund”	Shenzhen Tencent Industry Investment Fund Co., Ltd (深圳騰訊產業投資基金有限公司), a PRC subsidiary of Tencent
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target”	Shanghai Pangbuding Internet and Technology Co., Ltd. (上海胖布丁網絡科技有限公司), a PRC company incorporated on 3 May 2013
“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 (stock code: 700)
“Tencent Group”	Tencent and its subsidiaries from time to time
“%”	per cent

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

Shenzhen, the PRC, March 25, 2021

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.