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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)

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

The Board proposes to refresh the Existing Issue Mandate to grant a general and unconditional mandate for the Directors to exercise the power of the Company to allot, issue and/or otherwise deal with Shares not exceeding 20% of the number of Shares in issue as at the date of passing of the resolution in relation to the proposed refreshment of the Existing Issue Mandate at the EGM. The Board also proposes to refresh the Existing Extension Mandate to provide that any Shares repurchased under the Existing Repurchase Mandate (up to 10% of the number of Shares in issue as at the date of granting of the Existing Repurchase Mandate) shall be added to the number of Shares to be allotted and issued under the Refreshed Issue Mandate.

As the proposed grant of the Refreshed General Mandate will be submitted to the Shareholders prior to the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, the Refreshed General Mandate is subject to the Independent Shareholders' approval at the EGM. Any controlling shareholders and their respective associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the proposed Refreshed General Mandate.

The EGM will be held to consider and, if thought fit, approve the ordinary resolutions relating to the proposed grant of the Refreshed General Mandate. An independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui, to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the proposed grant of the Refreshed General Mandate.

A circular containing, among other things, details of the proposed grant of the Refreshed General Mandate, recommendation from the Independent Board Committee to the Independent Shareholders, advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate and a notice of the EGM will be despatched to the Shareholders by the Company as soon as practicable.

PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

The Board proposes to refresh the Existing Issue Mandate to grant a general and unconditional mandate for the Directors to exercise the power of the Company to allot, issue and/or otherwise deal with Shares not exceeding 20% of the number of Shares in issue as at the date of passing of the resolution in relation to the proposed refreshment of the Existing Issue Mandate at the EGM. The Board also proposes to refresh the Existing Extension Mandate to provide that any Shares repurchased under the Existing Repurchase Mandate (up to 10% of the number of Shares in issue as at the date of granting of the Existing Repurchase Mandate) shall be added to the number of Shares to be allotted and issued under the Refreshed Issue Mandate.

Existing General Mandate

At the 2022 AGM, the Shareholders approved, among other things, (i) granting the Existing Issue Mandate to the Directors to exercise the power of the Company to allot, issue and/or deal with up to 20% of the issued share capital of the Company as at the date of the 2022 AGM; (ii) granting the Existing Repurchase Mandate to the Directors at the 2022 AGM to exercise the power of the Company to repurchase Shares not exceeding 10% of the issue share capital of the Company as at the date of the 2022 AGM; and (iii) granting the Existing Extension Mandate to the Directors to extend the Existing Issue Mandate by an amount representing the aggregate amount of Shares repurchased under the Existing Repurchase Mandate.

As at the date of the 2022 AGM, the Company had a total of 1,410,398,345 Shares in issue. The Company may issue up to 282,079,669 Shares pursuant to the Existing Issue Mandate and repurchase up to 141,039,834 Shares pursuant to the Existing Repurchase Mandate. On September 18, 2023, September 20, 2023, September 21, 2023, September 28, 2023, October 12, 2023 and October 16, 2023, the Company repurchased 601,200 Shares, 84,000 Shares, 28,800 Shares, 92,000 Shares, 134,800 Shares and 190,000 Shares pursuant to the Existing Repurchase Mandate, respectively, totalling 1,130,800 Shares. Accordingly, the Directors may issue up to 283,210,469 Shares pursuant to the Existing Issue Mandate and Existing Extension Mandate. As at the date of this announcement, save as disclosed above, the Company has not refreshed its Existing General Mandate since the 2022 AGM.

After the placing of 164,177,200 Shares on July 18, 2023 and the issue of Convertible Bonds with an aggregate principal amount of HK\$386 million on July 24, 2023 (calculated based on the initial conversion price of HK\$3.64 per Share and assuming that the Convertible Bonds are fully converted at the initial conversion price, the Convertible Bonds can be converted to up to 106,043,956 new convertible bond shares), the Company has utilised approximately 95.41% of its Existing General Mandate (representing approximately 95.80% of the Existing Issue Mandate). For further details of the Placing and the issue of Convertible Bonds, please refer to the announcements of the Company dated July 11, 2023, July 18, 2023 and July 24, 2023.

As at the date of this announcement, pursuant to all share schemes of the Company (including the pre-IPO RSU Scheme adopted on May 18, 2018, the 2023 Share Incentive Scheme adopted on May 18, 2023 and the New Share Option Scheme adopted on June 30, 2023 by the Company), the number of Shares issued and to be issued in relation to all options and awards related to the new Shares granted or to be granted shall not exceed 10% of the Shares in issue as at the date of the 2022 AGM. Save as disclosed above, the Company has no other outstanding share options, warrants, convertible securities, or other rights to subscribe for Shares.

Refreshed General Mandate

As at the date of this announcement, approximately 95.41% of the Shares to be issued under the Existing General Mandate (representing approximately 95.80% of the Shares to be issued under the Existing Issue Mandate) has been utilised. The Company will convene the EGM at which ordinary resolution will be proposed to the Independent Shareholders to grant the Refreshed Issue Mandate for the Directors to exercise the power of the Company to allot, issue and/or otherwise deal with Shares not exceeding 20% of the aggregate number of Shares in issue as at the date of passing of the resolution in relation to the proposed refreshment of the Existing General Mandate at the EGM, and grant the Refreshed Extension Mandate for the Directors to provide that any Shares repurchased under the Existing Repurchase Mandate (up to 10% of the number of Shares in issue as at the date of granting of the Existing Repurchase Mandate) shall be added to the number of Shares to be allotted and issued under the Refreshed Issue Mandate.

The Refreshed General Mandate (if granted) will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; or (b) the date by which the next annual general meeting of the Company is required to be held by the Companies Act, applicable laws or the Memorandum and Articles of Association; or (c) the date upon which such mandates are revoked or varied by ordinary resolutions of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

As at the date of this announcement, the Company had a total of 1,574,575,545 Shares in issue. Subject to the passing of the proposed resolution for the approval of the Refreshed General Mandate and in the event that no further Shares are issued or repurchased by the Company from the date of this announcement the date of the EGM, the Company would be allowed to issue up to 314,915,109 Shares pursuant to the Refreshed Issue Mandate, representing 20% of the number of Shares in issue as at the date of this announcement, and add any Shares repurchased under the Existing Repurchase Mandate (up to 10% of the number of Shares in issue as at the date of granting of the Existing Repurchase Mandate) to the number of Shares to be allotted and issued under the Refreshed Issue Mandate.

Reasons for Proposed Grant of the Refreshed General Mandate

The Company is a company incorporated in the Cayman Islands with limited liability. As a leading digital entertainment platform in China, the Group's main businesses include the online game business and Fanbook, a community management tool. The Group has always been committed to bringing joy to users through technology and creativity.

When evaluating the necessity of the proposed grant of the Refreshed General Mandate, the Board has considered the followings:

(i) *Existing General Mandate is substantially fully utilised*

As stated above, after the completion of the Placing and the issue of the Convertible Bonds, the Company has utilised approximately 95.41% of its Existing General Mandate (representing approximately 95.80% of the Existing Issue Mandate). The next annual general meeting is expected to be convened in the end of June 2024 (which is over seven months from the date of this announcement). As such, the Company will not be able to flexibly and quickly raise fund to meet its business and operation needs for an extended period of time.

As at the date of this announcement, although the Group's existing capital can be able to satisfy the normal operation of its existing business in the short-term, in order to maintain a relatively rapid growth in the Group's overall revenue, it is necessary to add potential self-developed projects and explore new business directions from time to time, which require long-term and continuous investments.

(ii) *The Group's potential business expansion*

The Group continues to strive to maximize Shareholders' value.

As at the date of this announcement, the Company has the following business opportunities, details of which are as follows:

As the anime-style competitive shooting game Calabiyau (卡拉彼丘) (PC version) launched by the Group in August 2023 was greatly welcomed by users in the PRC, in order to extend its popularity and further introduce the game to more users in other districts or channels, the Group expects to proceed with R&D and release of the overseas PC version and mobile version of Calabiyau. Meanwhile, anime-style players and adventurous gamer are both anticipating the other Ghibli style of Isekai fantasy adventure game (jointly developed by the Company and Tencent), Ni No Kuni: Cross Worlds (二之國:交錯世界). The Group expects to devote more resources in promoting the R&D and release of such game. Meanwhile, the Company continues to deploy R&D resources to design more high-quality games, and identify excellent overseas high-quality games and introduce them to Mainland China for distribution, to further enrich the categories and volume of online games, to attract more players and users and to boost profitability and market competitiveness of the Group, thus creating more value for our Shareholders.

The granting of the Refreshed General Mandate is of paramount importance to the Company and it can provide the Company with flexibility and enable the Company to seize any suitable fund raising opportunities in time and within a short period of time in order to achieve the above objectives of the Group.

(iii) *Disadvantages of other alternatives for financing*

Having taken into account the Group's financial conditions, capital structure and finance costs as well as current market conditions, in addition to equity financing under the general mandate, the Board has also considered other alternative means of financing, such as debt financing, rights issue, public offering or internal cash resources (if applicable), to meet the immediate funding requirements of the Group.

(a) *Debt financing*

Firstly, debt financing, such as bank borrowings, will impose an interest burden to the Group, and will lead to an increase in the Group's gearing ratio. Secondly, debt financing may be required to undergo a due diligence and negotiation process of approximately two to three months, which includes an assessment of the Group's profitability, financial condition and prevailing market conditions. Thirdly, debt financing may involve the pledging of assets. In view of the above considerations, the Board is of the view that debt financing is full of uncertainty and time-consuming, and is not the best option from a commercial point of view as compared to the additional funding to be obtained by the Group through equity financing activities.

(b) *Rights issue or public offering*

Based on market practice, the completion of rights issue and public offering generally take approximately four months. Such a lengthy process may result in the loss of other potential opportunities for the Company, as rights issue or public offering may involve (i) the identification of underwriters on favourable terms; (ii) the preparation and publication of relevant documents (such as the prospectus and the application form for the acceptance of rights issue or public offering) and the appointment of reporting accountant (to report on the unaudited pro forma financial information to be included in the prospectus), resulting in additional administrative work, which is time-consuming. It may also (iii) incur certain fixed costs (such as expenses in relation to the appointment of a professional adviser, printing costs in relation to the documents such as the prospectus and the application form, costs in relation to the registration and despatch of the new share certificates to a large number of Shareholders). As a result, the completion of rights issue or public offering may be time-consuming.

In addition, the Board considers that rights issue or public offering may result in unpredictability of the size of the financing if such equity financing activities are conducted on a non-underwritten basis under unstable market environment, and may lead to higher underwriting commissions if the equity fundraising activities are conducted on a fully underwritten basis. Therefore, rights issue or public offering may not be beneficial to the Company and the Shareholders as a whole.

(c) *Allotment and issue of new Shares under the specific mandate*

The Board considers that given the volatility of the capital markets, time is of the essence for the Company to secure suitable investment opportunities. Accordingly, allotment and issue of new Shares under the specific mandate may not be suitable for the Company to grasp the equity financing opportunities in a timely manner as the Company may still be required to fulfil the compliance procedures of holding an extraordinary general meeting to obtain Shareholders' approval in accordance with the Listing Rules despite the terms of the proposed issue of the new Shares being finalised. On the other hand, the refreshment of the Existing General Mandate is a quicker and more effective solution to enable the Company to promptly respond to market conditions and capitalise on fundraising opportunities.

The Refreshed General Mandate, if granted by the Independent Shareholders at the forthcoming EGM, will be readily available. In the absence of the flexibility brought by the Refreshed General Mandate, the Company may not be able to take advantage of favorable financing opportunities in the stock market in a timely manner and is constrained by the more time-consuming process of seeking special mandate from Shareholders to raise funds, thereby running the risk of losing potential investors.

For the issue of Shares under the Refreshed General Mandate (if granted to the Directors), such process generally takes approximately one month and involves minimal costs. The Board considers that the proposed Refreshed General Mandate, if granted, will enable the Company to avoid the uncertainty brought by and minimise our financial burden associated with the other financing methods mentioned above. Accordingly, the Board considers that the granting of the proposed Refreshed General Mandate to meet the financing requirements and working capital needs of the Company from time to time prior to the holding of the next annual general meeting is reasonable and in the best interests of the Company and its Shareholders as a whole.

Although the Group has not identified any financing/investment opportunities in relation to the issue of Shares using the Refreshed General Mandate as at the date of this announcement, the Board considers that it is crucial for the Company to maintain the flexibility and the option to raise funds/issue consideration shares for its investments in a short period of time as and when the opportunity arises.

Listing Rules Implications

As the proposed grant of the Refreshed General Mandate will be submitted to the Shareholders prior to the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, the Refreshed General Mandate is subject to the Independent Shareholders' approval at the EGM. Any controlling shareholders and their respective associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution to approve the proposed Refreshed General Mandate.

As at the date of this announcement, the Company has no controlling shareholder, however, (a) Brilliant Seed Limited is wholly-owned by Mr. Chen Xiangyu, executive Director, chairman of the Board and the chief executive officer of the Company, and Mr. Chen Xiangyu as the beneficial owner and through Brilliant Seed Limited held 26,720,800 Shares and 236,484,322 Shares, respectively, representing approximately 1.70% and 15.02% of the issued share capital of the Company, respectively; (b) Bubble Sky Limited is wholly-owned by Mr. Guan Song, executive Director, and Mr. Guan Song as the beneficial owner and through Bubble Sky Limited held 14,978,000 Shares and 19,016,020 Shares, respectively, representing approximately 0.95% and 1.21% of the issued share capital of the Company, respectively; (c) Shipshape Holdings Limited is wholly-owned by Mr. Jeffrey Lyndon Ko, executive Director, and Mr. Jeffrey Lyndon Ko through Shipshape Holdings Limited held 13,965,000 Shares, representing approximately 0.89% of the issued share capital of the Company; and (d) Mr. Yang Jialiang, executive Director held 210,000 Shares, representing approximately 0.01% of the issued share capital of the Company. Therefore, Mr. Chen Xiangyu, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Yang Jialiang and their respective associates will abstain from voting on the resolution in relation to the proposed refreshment of the Existing General Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, there are no Shareholders that were required to abstain from voting on the resolution in relation to the proposed refreshment of the Existing General Mandate at the EGM as at the date of this announcement.

Extraordinary General Meeting

The EGM will be held to consider and if thought fit, approve the ordinary resolutions relating to the proposed grant of the Refreshed General Mandate. An independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui, to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the proposed grant of the Refreshed General Mandate.

A circular containing, among other things, details of the proposed grant of the Refreshed General Mandate, recommendation from the Independent Board Committee to the Independent Shareholders, advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate and a notice of the EGM will be despatched to the Shareholders by the Company as soon as practicable.

Definitions

“2022 AGM”	the annual general meeting of the Company held on June 30, 2023
“associates”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“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 1119
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Convertible Bond(s)”	the HK\$386 million 5.00% convertible bonds due 2028 issued on July 24, 2023
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and approve, if thought fit, (including but not limited to) the proposed grant of the Refreshed General Mandate

“Existing Extension Mandate”	a general and unconditional mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the 2022 AGM to extend the Existing Issue Mandate by an amount representing the aggregate amount of Shares repurchased under the Existing Repurchase Mandate
“Existing General Mandate”	the Existing Issue Mandate, the Existing Repurchase Mandate and the Existing Extension Mandate approved under the ordinary resolutions passed by the Shareholders at the 2022 AGM
“Existing Issue Mandate”	a general and unconditional mandate granted to the Directors by the Shareholders at the 2022 AGM by ordinary resolution to exercise the power of the Company to allot, issue and/or otherwise deal with Shares of not exceeding 20% of the number of Shares in issue as at the date of the 2022 AGM
“Existing Repurchase Mandate”	a general and unconditional mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the 2022 AGM to exercise the powers of the Company to repurchase Shares of not exceeding 10% of the number of Shares in issue as at the date of the 2022 AGM
“Group”	the Company, its subsidiaries and and its PRC consolidated affiliated entities from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui, to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate

“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate
“Independent Shareholders”	remaining shareholders other than those required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Memorandum and Articles of Association”	the amended and restated memorandum and articles of association of the Company adopted by the special resolution passed on June 30, 2023 and effective on June 30, 2023 (as amended, supplemented or otherwise modified from time to time)
“Placing”	the placing of a total of 164,177,200 shares by the Placing Agents to independent investors at the Placing Price pursuant to the Placing Agreement completed on July 18, 2023
“Placing Agent(s)”	Merrill Lynch (Asia Pacific) Limited and Guotai Junan Securities (Hong Kong) Limited
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agents dated July 10, 2023 in respect of the Placing
“Placing Price”	HK\$3.10 per Placing Share
“Placing Share(s) ”	164,177,200 new Shares placed under the Placing

“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Refreshed Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the EGM to extend the Refreshed Issue Mandate by an amount representing to the aggregate amount of Shares repurchased under the Existing Repurchased Mandate, which is subject to approval by the Independent Shareholders at the EGM by way of poll
“Refreshed General Mandate”	Refreshed Issue Mandate and Refreshed Extension Mandate, which are subject to the approval of Independent Shareholders at the EGM by way of poll
“Refreshed Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the EGM to exercise the power of the Company to allot, issue and/or otherwise deal with Shares not exceeding 20% of the number of Shares in issue as at the date of the EGM, which is subject to approval by the Independent Shareholders at the EGM by way of poll
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company, or if there has been a capitalization issue, sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company of such nominal amount as shall result from any such capitalization issue, sub-division, reduction, consolidation, reclassification or reconstruction
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Tencent”	Tencent Holdings Limited (one of the Group’s 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 with stock code 700) and its subsidiaries from time to time
“US\$”	U.S. dollars, the legal currency of the United States of America
“%”	per cent

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

Shenzhen, the PRC, November 10, 2023

As at the date of this announcement, the Board comprises Mr. Chen Xiangyu as chairman and executive Director, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Yang Jialiang as executive Directors, Mr. Zhang Han and Mr. Yang Ming as non-executive Directors, and Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui as independent non-executive Directors.