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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**

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



**BACKGROUND**

References are made to the Company's announcements dated December 29, 2020, August 12, 2021, September 20, 2021 and May 18, 2023 in relation to, among other things, the entering into and the amendment from time to time of the 2021 Advertising Cooperation Framework Agreement, the 2021 Payment Service Framework Agreement, the 2021 Products and Services Purchasing Framework Agreement and the 2021 Game Cooperation Framework Agreement.

On November 10, 2023, Shenzhen iDreamSky and Tencent Computer agreed to renew the 2021 Framework Agreements, by entering into (i) the 2024 Advertising Cooperation Framework Agreement in relation to, among other things, the cooperation on advertising of products and services of both parties; (ii) the 2024 Payment Service Framework Agreement in relation to, among other things, the provision of payment services by Tencent Group to the Group; (iii) the 2024 Products and Services Purchasing Framework Agreement, in relation to, among other things, the provision of comprehensive services and products by Tencent Group to the Group; and (iv) the 2024 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 holds approximately 15.82% of the total issued shares of the Company through its wholly-owned subsidiary Tencent Mobility Limited, and Tencent Computer is a subsidiary of Tencent. Therefore, Tencent Computer is a connected person of the Company, and each of the 2024 Advertising Cooperation Framework Agreement, the 2024 Payment Service Framework Agreement, the 2024 Products and Services Purchasing Framework Agreement and the 2024 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 (as defined under Rule 14.07 of the Listing Rules) calculated on an annual basis in respect of the annual caps for each of (i) the 2024 Advertising Cooperation Framework Agreement, (ii) the 2024 Payment Service Framework Agreement, (iii) the 2024 Products and Services Purchasing Framework Agreement, and (iv) the Promotion Transactions contemplated under the 2024 Game Cooperation Framework Agreement exceeds 0.1% but is 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. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) calculated on an annual basis in respect of the proposed annual caps for the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement is more than 5%, the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement are therefore subject to reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING**

An extraordinary general meeting will be convened to consider the resolution relating to the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement as well as its proposed annual caps.

Given that Tencent has material interests in the 2024 Game Cooperation Framework Agreement, and as at the date of this announcement, Tencent holds 249,141,192 Shares of the Company through its wholly-owned subsidiary, Tencent Mobility Limited, representing approximately 15.82% of the issued share capital of the Company, Tencent Mobility Limited, a wholly-owned subsidiary of Tencent, will abstain from voting at the extraordinary general meeting on the resolution in relation to the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, as at the date of this announcement, there are no Shareholders that were required to abstain from voting on the resolution in relation to the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps at the extraordinary general meeting.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise independent Shareholders in respect of the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps; Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and independent Shareholders in respect of the same matters.

A circular containing, among others, (i) the 2024 Game Cooperation Framework Agreement and the proposed annual caps thereunder; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; and (iv) a notice convening the extraordinary general meeting will be despatched to the Shareholders as and when appropriate. For the purpose of the circular, the Company will need time to make various preparations, rendering the expected date of dispatch of the circular to the Shareholders after 15 business days upon the publication of this announcement.

## RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the Company's announcements dated December 29, 2020, August 12, 2021, September 20, 2021 and May 18, 2023 in relation to, among other things, the entering into and the amendment from time to time of the 2021 Framework Agreements. As disclosed in the aforesaid announcements, each of the 2021 Framework Agreements shall expire on December 31, 2023.

On November 10, 2023, Shenzhen iDreamSky and Tencent Computer agreed to renew the 2021 Framework Agreements, by entering into (i) the 2024 Advertising Cooperation Framework Agreement in relation to, among other things, the cooperation on advertising of products and services of both parties; (ii) the 2024 Payment Service Framework Agreement in relation to, among other things, the provision of payment services by Tencent Group to the Group; (iii) the 2024 Products and Services Purchasing Framework Agreement, in relation to, among other things, the provision of comprehensive services and products by Tencent Group to the Group; and (iv) the 2024 Game Cooperation Framework Agreement, in relation to, among other things, the corporation on games between the parties.

### 1. 2024 Advertising Cooperation Framework Agreement

Principal terms of the 2024 Advertising Cooperation Framework Agreement are set out as follows:

- Date:** November 10, 2023
- Parties:** (1) Shenzhen iDreamSky, and  
(2) Tencent Computer
- Terms:** From January 1, 2024 to December 31, 2026
- Subject matter:** Pursuant to the 2024 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) the Group 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 by the Group, 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 Annual Caps and Historical Amounts***

The annual caps under the 2021 Advertising Cooperation Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	<b>For the year ended 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 historical amounts of advertising services fees paid by Tencent Group to the Group under the 2021 Advertising Cooperation Framework Agreement for the two years ended December 31, 2022 and the nine months ended September 30, 2023 are set out as follows:

	<b>For the year ended</b>		<b>For the nine</b>
	<b>December 31,</b>		<b>months</b>
	<b>2021</b>	<b>2022</b>	<b>ended</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>September 30,</b>
			<b>2023</b>
			<i>(RMB'000)</i>
			(unaudited)
Advertising service fee paid by Tencent Group to the Group	13,104	11,397	16,915

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

The proposed annual caps for the advertising services fees payable by Tencent Group to the Group under the 2024 Advertising Cooperation Framework Agreement for the three years ending December 31, 2026 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Advertising service fee payable by Tencent Group to the Group	11,470	9,883	8,535

The above annual caps for the three years ending December 31, 2026 were determined with reference to (i) the historical amounts of advertising services fees paid by Tencent Group to the Group under the 2021 Advertising Cooperation Framework Agreement for the two years ended December 31, 2022 and the nine months ended September 30, 2023; (ii) the daily average online time of the Group's users; (iii) the fact that Group continues to develop, publish and update high-quality games with a large user base, and continues to obtain external traffic to monetize the Group's advertising services; and (iv) the scale of the Group's operation and the future needs of Tencent Group after arm's length negotiation and discussion.

### ***Reasons for and Benefits of the 2024 Advertising Cooperation Framework Agreement***

The Company believes that the cooperation with Tencent Group pursuant to the 2024 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. 2024 Payment Service Framework Agreement

Principal terms of the 2024 Payment Service Framework Agreement are set out as follows:

**Date:** November 10, 2023

**Parties:** (1) Shenzhen iDreamSky, and  
(2) Tencent Computer

**Terms:** From January 1, 2024 to December 31, 2026

**Subject matter:** Pursuant to the 2024 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.

**Fee arrangements :** 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 condition of 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 2021 Payment Service Framework Agreement, the Company have assumed that such service fee rate will remain stable at a rate comparable to that charged during the term of the 2021 Payment Service Framework Agreement in calculating the annual caps of the 2024 Payment Service Framework Agreement.

Before entering into any payment service agreement pursuant to the 2024 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 Annual Caps and Historical Amounts***

The annual caps under the 2021 Payment Service Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	<b>For the year ended 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 historical amounts of payment services fees paid by the Group to Tencent Group under the 2021 Payment Service Framework Agreement for the two years ended December 31, 2022 and the nine months ended September 30, 2023 are set out as follows:

	<b>For the year ended</b>		<b>For the nine</b>
	<b>December 31,</b>		<b>months</b>
	<b>2021</b>	<b>2022</b>	<b>ended</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>September 30,</b>
			<b>2023</b>
			<i>(RMB'000)</i>
			(unaudited)
Payment service fee paid by the Group to Tencent Group	3,266	3,403	1,123

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

The proposed annual caps for the payment services fees payable by the Group to Tencent Group under the 2024 Payment Service Framework Agreement for the three years ending December 31, 2026 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Payment service fee payable by the Group to Tencent Group	3,600	4,680	6,084

The above annual caps for the three years ending December 31, 2026 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, 2022; (ii) the average monthly payment service fee of approximately RMB100,000 for the most recent two months ended September 30, 2023; and (iii) we have continuously deepen our user operation through Fanbook, leading to the continuous increase in revenue generated through payment channels such as WeChat, as well as we will launch more games in the future.

### ***Reasons for and Benefits of the 2024 Payment Service Framework Agreement***

The Company considers that 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 2024 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. 2024 Products and Services Purchasing Framework Agreement**

Principal terms of the 2024 Products and Services Purchasing Framework Agreement are set out as follows:

**Date:** November 10, 2023

**Parties:** (1) Shenzhen iDreamSky, and  
(2) Tencent Computer

**Terms:** From January 1, 2024 to December 31, 2026

**Subject matter:** Pursuant to the 2024 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, 2022 and the nine months ended September 30, 2023, 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's website. In calculating the annual caps for the procurement fees under the 2024 Products and Services Purchasing Framework Agreement, the Company have assumed such procurement fees rates to remain stable at a rate comparable to that charged during the term of the 2021 Products and Services Purchasing Framework Agreement.

### ***Historical Annual Caps and Historical Amounts***

The annual caps 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 ended 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 payable by the Group to Tencent Group for products and services	21,000	27,300	35,490

The historical amounts of procurement services fees paid by the Group to Tencent Group under 2021 Products and Services Purchasing Framework Agreement for the two years ended December 31, 2022 and the nine months ended September 30, 2023 are set out as follows:

	<b>For the year ended</b>		<b>For the nine</b>
	<b>December 31,</b>		<b>months</b>
	<b>2021</b>	<b>2022</b>	<b>ended</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>September 30,</b>
			<b>2023</b>
			<i>(RMB'000)</i>
			(unaudited)
Procurement fees paid by the Group to Tencent Group for products and services	18,294	19,966	18,430

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

The proposed annual caps for the procurement services fees payable by the Group to Tencent Group under the 2024 Products and Services Purchasing Framework Agreement for the three years ending December 31, 2026 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Procurement fees payable by the Group to Tencent Group for products and services	34,200	42,200	54,200

The proposed annual caps were determined based on the historical amounts with reference to the expected future procurement needs of the Group, primarily due to (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 the similar level for the two years ending December 31, 2022, and the nine months ended September 30, 2023; (ii) 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 (iii) 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, 2026.

***Reasons for and Benefits of the 2024 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. 2024 Game Cooperation Framework Agreement

Principal terms of the 2024 Game Cooperation Framework Agreement are set out as follows:

**Date:** November 10, 2023

**Parties:** (1) Shenzhen iDreamSky; and  
(2) Tencent Computer

**Term:** From January 1, 2024 to December 31, 2026

**Subject matter:** Pursuant to the 2024 Game Cooperation Framework Agreement, the Group and Tencent Group agreed to:

- (i) license games of the Group to be published and operated on the platforms of Tencent Group; and
- (ii) license the games of Tencent Group to be published and operated on the Group's platforms.

The precise manner and scope of co-operation subject concerned, the commission rate, applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

**Fee arrangement:** Based on the specific content of the projects and manners of co-operation, relevant revenue distribution shall be calculated in accordance with any of the following basis:

- fixed amount of payment;
- revenue/profit sharing between the parties;
- prepaid revenue sharing between the parties; and/or
- product bonus.

### ***Pricing Policy***

Relevant fees under the 2024 Game Cooperation Framework Agreement 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 Annual Caps and Historical Amounts***

The annual caps for the relevant transactions under the 2021 Game Cooperation Framework Agreement for the three years ending December 31, 2023 are set out as follows:

	<b>For the year ended 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 Group (i.e. where the Group engages Tencent Group for distributing the Group's games)	19,800	23,760	28,512
(b) Licensing fees 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 Group's 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 Tencent Group engages the Group for publishing and operating the games of Tencent Group)	36,866	42,556	58,127

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(d) Customized development fees payable by Tencent Group to the Group (i.e. where Tencent Group engages the Group for development of Tencent Group's games of certain specialized area)	21,667	21,667	21,667

The actual transaction amounts of the relevant transactions for the two years ended December 31, 2022 and the nine months ended September 30, 2023 are set out as follows:

	<b>For the year ended December 31,</b>		<b>For the nine months ended September 30,</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (unaudited)
(a) Distribution fees paid by the Group to Tencent Group (i.e. where the Group engages Tencent Group for distributing the Group's games)	6,928	9,934	9,549
(b) Licensing fees paid by Tencent Group to the Group in the form of revenue sharing (i.e. where the Group engages Tencent Group for publishing of the Group's games and games licensed to the Group by third parties)	33,905	35,893	68,496
(c) Licensing fees paid by the Group to Tencent Group (i.e. where Tencent Group engages the Group for publishing and operating the games of Tencent Group)	—	39,637	26,396



	<b>For the year ended December 31,</b>		<b>For the nine months ended</b>
	<b>2021</b>	<b>2022</b>	<b>September 30,</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>2023</b>
			<b>(RMB'000)</b>
			<b>(unaudited)</b>
(d) Customized development fees paid by Tencent Group to the Group (i.e. where Tencent Group engages the Group for development of Tencent Group's games of certain specialized area)	—	8,321	—

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

The proposed annual caps for the Promotion Transactions and Distribution Transactions under the 2024 Game Cooperation Framework Agreement for the three years ending December 31, 2026 are set out as follows:

	<b>For the year ending December 31,</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
(a) Promotion Transaction <sup>Note 1</sup> : Distribution fees and licensing fee payable by the Group to Tencent Group (mainly where Tencent Group engages the Group for publishing and operating the games of Tencent Group)	61,800	65,760	70,512
(b) Distribution Transaction <sup>Note 2</sup> : Licensing fees payable by Tencent Group to the Group in the form of revenue sharing (i.e. where the Group engages Tencent Group for publishing and operating of the Group's games)	303,400	354,900	298,400

*Note 1:* Refers to the licensing of games to the Group for operation by Tencent Group, or the engagement of Tencent Group by the Group for distributing the Group's games. The Group is responsible for the operation of games, which includes determining payment channels, providing customer services, service specifications and pricing, etc. The Group recognises the total game revenue paid by users as revenue, and pays licensing fees to Tencent Group or licensing and/or distribution fees for games distributed through its platform in the form of revenue/profit sharing on a prescribed percentage of total revenue, or in certain circumstances, after deducting certain costs and fees (including channel fees).

*Note 2:* Refers to the Group's games being exclusively licensed to Tencent Group for operation in specific areas. Tencent Group is responsible for the operation of games, which includes determining payment channels, providing customer services, service specifications and pricing, etc. The Group is responsible for the development of game content, version updates and iteration, and daily technical maintenance, etc. Tencent Group pays the Group a fixed amount of game licensing fees, or pays licensing fees or distribution fees to the Group in the form of game revenue/profit sharing on a prescribed percentage of total revenue, or in certain circumstances, after deducting certain costs and fees (including channel fees).

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 and after arm's length discussion with Tencent Group. In particular:

- (a) In determining the above proposed annual caps in respect of the Promotion Transactions, the annual caps have been determined by the Directors based on the historical distribution fees and licensing fee paid by the Group to Tencent Computer for the two years ended December 31, 2022 and the nine months ended September 30, 2023. The growth rate is determined by the Company 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 2021 Game Cooperation Framework Agreement.
- (b) In determining the above proposed annual caps in respect of the Distribution Transactions, the Directors have considered the number and scale of the games of the Group and the games of Tencent Group to be licensed by the Group and the revenue expected to be generated and the lifecycles of such games. In particular, taking into account (i) the general popularity of game platforms owned by Tencent Group, and (ii) the license fees for certain of the Group's existing games are expected to increase steadily, including the Company's self-developed core game Calabiyau (卡拉彼丘), which its PC version was recently launched its PC version in August 2023 and was well-received by the market upon its launch. In addition, the games that the Company will also publish and operate progressively through the Tencent's platforms include new games such as Ni No Kuni: Cross Worlds (二之國:交錯世界) and Delta Force: Hawk Ops (三角洲行動).

In determining the proposed annual caps, the Company has also referred to factors such as the monthly turnovers and lifecycle profile of comparable games in the industry which are similar to the Company's games, as well as the costs and expenses to be incurred and charged by the Tencent Group (e.g. platform fees and commissions from payment channels).

### ***Reasons for and Benefits of the 2024 Game Cooperation Framework Agreement***

Tencent Group owns a large amount of well-received 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.

## **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 the Group 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) in order to ensure that the publishing fees and licensing fees payable by the Group to the Tencent Group are fair and reasonable and on normal commercial terms, the Company will endeavor to seek cooperation with at least two other Independent Third Parties to the extent practicable in the commercial field, and compare the commercial terms provided by such Independent Third Parties with those provided by Tencent Group. When it is unable to obtain more than two other Independent Third Parties due to commercial reasons, the Company will compare the commercial terms provided by Tencent Group with the terms provided by at least one Independent Third Party, and demonstrate from multiple perspectives whether it is the best option to cooperate with Tencent Group;
- (b) 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 relevant framework agreements for the continuing connected transactions, in particular, the fairness and reasonableness of the pricing policies and proposed annual caps under each transaction;

- (c) 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. The Company believes that the abovementioned 85% cap is a reasonable and effective threshold, given that it will provide the Company with plenty of time to take appropriate measures immediately when the actual transaction amounts exceed the proposed annual caps, i.e. reduce and/or control the transaction amounts and/or revise the proposed annual caps in accordance with the Listing Rules.

In terms of Tencent Group game distribution, the finance department of the Company will record and track the income generated by Tencent Group game distribution on a regular basis under the financial control system of the Company, and prepare a monthly report, to check the gaming transaction amount and payment channels. The finance department will, at the end of each month, reconcile and confirm the amount of relevant monthly transactions with Tencent Group with the amount recorded in the Tencent Group's system as soon as practicable. The historical deviation of the transaction amounts recorded in the systems of the Group and Tencent Group is generally small, ranging from approximately 5% to 10%. In the future, based on the audit records of the finance department on the financial control system of the Company, the above measures will be taken immediately when it is informed that the publishing fee payable by the Group to Tencent Group under the 2024 Game Cooperation Framework Agreement is reasonably expected to reach 85% of the proposed annual caps. In addition to the checking and reporting process, the finance department will also take note of any early indications that the actual transaction amount may exceed the proposed annual caps, such as analysing the trend of expected revenue to be generated from Tencent Group game distribution on a monthly basis;

- (d) 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, 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;
- (e) the Company will arrange regular training for its employees, including the business operation, finance, legal and compliance departments, to strengthen their familiarity with the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions;

- (f) 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
- (g) the Independent non-executive Directors and auditor of the Company will conduct annual review of the continuing connected transactions under such framework agreements and provide annual confirmation in accordance with the Listing Rules to ensure that the transactions are conducted on normal commercial terms and in accordance with the pricing policy.

The Board is of the view that the above internal control measures will provide comprehensive oversight of the Company's continuing connected transactions and closely monitoring the proposed annual caps, and enhance the awareness and accountability of internal departments in complying with the relevant rules in relation to the Company's continuing connected transactions. The Board considers that the above internal control measures are sufficient and effective.

## **OPINION FROM THE BOARD**

The Directors (including the independent non-executive Directors) are of the view that the terms of each of (i) the 2024 Advertising Cooperation Framework Agreement, (ii) the 2024 Payment Service Framework Agreement, (iii) the 2024 Products and Services Purchasing Framework Agreement, and (iv) the 2024 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, 2026) 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. Yang Ming, a Director, is currently an employee of Tencent and is therefore abstained from voting on the relevant Board resolutions approving each of (i) the 2024 Advertising Cooperation Framework Agreement, (ii) the 2024 Payment Service Framework Agreement, (iii) the 2024 Products and Services Purchasing Framework Agreement, and (iv) the 2024 Game Cooperation Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors is required to abstain from voting due to having a material interest in each of (i) the 2024 Advertising Cooperation Framework Agreement, (ii) the 2024 Payment Service Framework Agreement, (iii) the 2024 Products and Services Purchasing Framework Agreement, and (iv) the 2024 Game Cooperation Framework Agreement and the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES**

As a leading digital entertainment platform in the PRC, the Group's main businesses include the online boutique game business and Fanbook, a community operation tool. The Group has always been committed to bringing joy to users through technology and creativity. Shenzhen iDreamSky is an integrated affiliate of the Company in the PRC, mainly engaged in the R&D, distribution and operation of games through mobile applications and websites.

Tencent is a limited liability company organized and existing under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700). Through its subsidiaries, Tencent principally provides value-added services, online advertising, FinTech and business services to users mainly in the PRC. Tencent Computer is a subsidiary of Tencent and is principally engaged in the business of provision of value-added services in the PRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tencent holds approximately 15.82% of the total issued shares of the Company through its wholly-owned subsidiary Tencent Mobility Limited, and Tencent Computer is a subsidiary of Tencent. Therefore, Tencent Computer is a connected person of the Company, and each of the 2024 Advertising Cooperation Framework Agreement, the 2024 Payment Service Framework Agreement, the 2024 Products and Services Purchasing Framework Agreement and the 2024 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 (as defined under Rule 14.07 of the Listing Rules) calculated on an annual basis in respect of the annual caps for each of (i) the 2024 Advertising Cooperation Framework Agreement, (ii) the 2024 Payment Service Framework Agreement, (iii) the 2024 Products and Services Purchasing Framework Agreement, and (iv) the Promotion Transactions contemplated under the 2024 Game Cooperation Framework Agreement exceeds 0.1% but is 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. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) calculated on an annual basis in respect of the proposed annual caps for the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement is more than 5%, the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement are therefore subject to reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



## **EXTRAORDINARY GENERAL MEETING**

An extraordinary general meeting will be convened to consider the resolution relating to the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement as well as its proposed annual caps.

Given that Tencent has material interests in the 2024 Game Cooperation Framework Agreement, and as at the date of this announcement, Tencent holds 249,141,192 Shares of the Company through its wholly-owned subsidiary, Tencent Mobility Limited, representing approximately 15.82% of the issued share capital of the Company, Tencent Mobility Limited, a wholly-owned subsidiary of Tencent, will abstain from voting at the extraordinary general meeting on the resolution in relation to the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, as at the date of this announcement, there are no Shareholders that were required to abstain from voting on the resolution in relation to the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps at the extraordinary general meeting.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise independent Shareholders in respect of the Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps; Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and independent Shareholders in respect of the same matters.

A circular containing, among others, (i) the 2024 Game Cooperation Framework Agreement and the proposed annual caps thereunder; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; and (iv) a notice convening the extraordinary general meeting will be despatched to the Shareholders as and when appropriate. For the purpose of the circular, the Company will need time to make various preparations, rendering the expected date of dispatch of the circular to the Shareholders after 15 business days upon the publication of this announcement.

## DEFINITIONS

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

“associates”	has the same meaning ascribed thereto under the Listing Rules
“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” or “we”	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
“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
“Distribution Transaction(s)”	transactions conducted relating to the licensing fees payable by Tencent Group to the Group in the form of revenue sharing under the 2024 Game Cooperation Framework Agreement
“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 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 Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps



“Independent Financial Adviser” or “Sommerley”	Sommerley 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 Distribution Transactions contemplated under the 2024 Game Cooperation Framework Agreement and its proposed annual caps
“Independent Third Party(ies)”	an individual or a company which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company
“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
“Promotion Transaction(s)”	transactions conducted relating to the distribution fees and licensing fees payable by the Group to Tencent Group under the 2024 Game Cooperation Framework Agreement
“RMB”	Renminbi, legal 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 value as shall result from any such capitalization issue, sub-division, reduction, consolidation, reclassification or reconstruction
“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

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it 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 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
“US\$”	U.S. dollars, the legal currency of the United States of America
“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 Game Cooperation Framework Agreement”	the game cooperation framework agreement dated December 29, 2020 entered into between Shenzhen iDreamSky and Tencent Computer (the proposed annual caps of which were revised on August 12, 2021 and May 18, 2023, respectively)
“2021 Framework Agreements”	the 2021 Advertising Cooperation Framework Agreement, the 2021 Payment Service Framework Agreement, the 2021 Products and Services Purchasing Framework Agreement and the 2021 Game Cooperation Framework Agreement

“2024 Advertising Cooperation Framework Agreement”	the advertising cooperation framework agreement dated November 10, 2023 entered into between Shenzhen iDreamSky and Tencent Computer
“2024 Payment Service Framework Agreement”	the payment service framework agreement dated November 10, 2023 entered into between Shenzhen iDreamSky and Tencent Computer
“2024 Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement dated November 10, 2023 entered into between Shenzhen iDreamSky and Tencent Computer
“2024 Game Cooperation Framework Agreement”	the game cooperation framework agreement dated November 10, 2023 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, 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.*