

**IDREAMSKY TECHNOLOGY HOLDINGS LTD:
PROSPECTIVE INVESTORS ARE NOT LIKELY
TO RECEIVE DIVIDENDS**

There are two aspects that are readily apparent on scanning the Global Offering Prospectus of iDreamSky Technology Holdings Ltd () (Code: 1119, Main Board, The Stock Exchange of Hongkong Ltd):

1. This Company is staring at its largest debt load in its relatively short history; and,
2. Once again, Tencent Holdings Ltd () (Code: 700, Main Board, The Stock Exchange of Hongkong Ltd) is a material shareholder of a company, seeking a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

It was only on Thursday, November 22, 2018, in this medium's analysis of the business and the financials, contained in the Global Offering Prospectus of Tongcheng-Elong Holdings Ltd () (Code: 780, Main Board, The Stock Exchange of Hongkong Ltd), that **TARGET** () noted the existence of Tencent Holdings Ltd as being a material shareholder of that company, being very prominently mentioned.

(Please refer to **TARGET** Intelligence Report, Volume XX, Number 254.)

The essence of déjà vu.

The IPO Of iDreamSky Technology Holdings Ltd

The Global Offering Prospectus of iDreamSky Technology Holdings Ltd, dated November 26, 2018, made an Offering of 126,972,000, \$US0.0001 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK6.00 to a high of \$HK7.80.

Investors of the HKSAR were Offered 12,697,600 Shares while International Investors – Institutions, Professionals, and/or Well-Heeled Individuals/Corporate Entities – were Offered 114,274,400 Shares.

At Pages 356 through to 361, Management estimated that the Company would net about \$HK782.40 million from this call for cash on the assumption that the Offer Price Per Share was struck at \$HK6.90, being the midpoint of this Indicative Offer Price range.

The Net Proceeds from this IPO are intended to be utilised for the following purposes, one was told in these pages of the Global Offering Prospectus:

1. Approximately, \$HK297.30 million, that is about 38 percent of the net proceeds, *‘is expected to be used to further expand our game portfolio and enrich our contents offerings’*;
2. Approximately, \$HK187.80 million, that is about 24 percent of the net proceeds, *‘is expected to be used to fund our strategic acquisition in upstream or game-related industries to intensify our collaboration with key market players, as well as to support the expansion of our international operations’*;
3. Approximately, \$HK179.90 million, that is about 23 percent of the net proceeds, *‘is expected to be used to strengthen our in-house research and development capabilities and to strengthen our technical knowhow to enhance our in-house game development capabilities. As of September 30, 2018, we had a R&D (Research and Development) team of 239 members, consisting of 60 focusing on game development and 179 focusing on technology development. We intend to expand our R&D team to approximately 400 and 560 members by the end of 2019 and 2020, respectively. Our research and development expenses were approximately RMB93 million, RMB89 million, RMB106 million and RMB54.4 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. In line with our business strategy to have better control over our source of content by way of self-developing games, we plan to deploy more resources towards self-developing games, which in part can be achieved by increasing our investment in the technology infrastructure of the Company and to strength our technology knowhow. In particular, we plan to use this amount of proceeds to (a) expand our research and development department by identifying and recruiting top R&D talents with competitive compensation on an ongoing basis and continue to improve the user experience and performances of our self-developed games; (b) upgrade our domestic and overseas network and technology infrastructure (which include a technology platform capable of formulating standardized technical solutions) to be gradually developed over the next three to four years, (c) install overseas servers, conducting localized data settings for the servers and collecting and storage of overseas game data, and (d) enhance our multi-dimensional user data analytical engine by investing in the development of artificial intelligence technologies to better analyze user behavior*

and needs within the next three to four years’;

4. Approximately, \$HK70.40 million, that is about nine percent of the net proceeds, ‘*is expected to be used for working capital and other general corporate purposes’*’; and,
5. Approximately, \$HK46.90 million, that is about six percent of the net proceeds, ‘*is expected to be used to expand our offline entertainment services. We established Great Moments Voyage, a brand of offline experiential store offering digital entertainment services, in 2017. We plan to build up a network of Great Moments Voyage and make investments to further improve the recreational facilities and diversify the services provided by Great Moments Voyage’*’.

The Business Of iDreamSkyTechnology Holdings Ltd

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