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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in iDreamSky Technology Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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 SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

VEDA | CAPITAL
智 略 資 本

A notice convening the extraordinary general meeting (the “EGM”) of iDreamSky Technology Holdings Limited (the “Company”) to be held at Earth Room, 16/F, Unit 3, Block A, Kexing Science Park, Nanshan District, Shenzhen, China on Wednesday, 16 February 2022 at 10:30 a.m. is set out on pages 51 to 54 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.idreamsky.com.

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

20 January 2022

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and in line with the Shenzhen Government's directive on recent prevention and control of COVID-19, the Company will implement the following precautionary measures at the EGM to protect the attendees of General Meeting from the risk of infection:

- (i) Body temperature screening will be conducted on every attending Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person found to be suffering from a fever or otherwise unwell will be denied entry into the EGM venue or be required to leave the EGM venue at the absolute discretion of the Company.
- (ii) All attending Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and be asked whether (1) he/she has traveled to medium-high risk areas and cities where positive cases have been found in the last 14 days; (2) there are any symptoms of fever, dry cough, fatigue, sore throat, hyposmia, etc. Any person who responds affirmatively to any one of the above questions will be denied entry into the EGM venue or be required to leave the EGM venue.
- (iii) All attendees are requested to wear face masks at the EGM venue at all times, and to maintain a safe distance with other attendees.
- (iv) No refreshments and corporate gifts will be provided.
- (v) Appropriate distancing and spacing at the EGM venue will be maintained to avoid overcrowding.

To the extent permitted under the applicable laws, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interests of health and safety for all relevant personnel of the EGM and in response to the requirements of recent prevention and control of COVID-19 prescribed by the Shenzhen Government, Shareholders are reminded that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights, and are strongly encouraged to appoint the chairman of the EGM as proxy to attend and vote on the resolution at the EGM by completing a form of proxy in accordance with the instructions printed thereon instead of attending the EGM or any adjourned meeting in person.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2020 AGM”	the annual general meeting of the Company held on 25 June 2021 at which, among other things, a resolution for the grant of the General Mandate to the Directors was duly passed by the Shareholders
“Articles of Association”	the amended and restated articles of association of the Company adopted on 20 November 2018 and effective on 6 December 2018, as amended or supplemented from time to time
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Brilliant Seed”	Brilliant Seed Limited, a company incorporated in the British Virgin Islands on 2 January 2018, and wholly owned by Mr. Chen Xiangyu, and a substantial shareholder of the Company
“Brilliant Seed Subscription Agreement”	the subscription agreement entered into among the Company, Mr. Chen Xiangyu (as warrantor) and Brilliant Seed (as Subscriber) dated 28 November 2021 in respect of the subscription of the Subscription Shares by Brilliant Seed at the Subscription Price
“Business Day”	any day on which banks are generally open for business in Hong Kong
“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 Subscription
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Earth Room, 16/F, Unit 3, Block A, Kexing Science Park, Nanshan District, Shenzhen, China on Wednesday, 16 February 2022 at 10:30 a.m., or any adjournment thereof, and the notice of which is set out on pages 51 to 54 of this circular
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the 2020 AGM to allot, issue and otherwise deal with securities of the Company not exceeding 20% of the total number of Shares in issue as at the date of the 2020 AGM
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Horgos iDreamSky”	Horgos iDreamSky Information Technology Co., Ltd. (霍尔果斯创梦天地信息科技有限公司), a company established in the PRC on 27 June 2016, and a subsidiary of the Company
“Independent Board Committee”	the independent committee of the Board, comprising Ms. Yu Bin, Mr. Li Xintian, Mr. Zhang Weining and Mr. Mao Rui, being all the independent non-executive Directors, established for the purposes of, among other things, advising the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Veda Capital”	Veda Capital limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial advisor to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders other than Mr. Chen Xiangyu, Brilliant Seed, Tencent Mobility, Mr. Lei Junwen and Instant Sparkle

DEFINITIONS

“Instant Sparkle”	Instant Sparkle Limited, a company incorporated in the British Virgin Islands on 2 January 2018, and wholly owned by Mr. Lei Junwen
“Instant Sparkle Subscription Agreement”	the subscription agreement entered into among the Company, Mr. Lei Junwen (as warrantor) and Instant Sparkle (as Subscriber) dated 28 November 2021 in respect of the subscription of the Subscription Shares by Instant Sparkle at the Subscription Price
“Latest Practicable Date”	17 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Placing”	the placement of 72,280,000 Placing Shares to independent investors at the Placing Price by Placing Agent under the Placing Agreement, which completed on 13 December 2021
“Placing Agent”	First Shanghai Securities Limited, a company incorporated in Hong Kong with limited liability, being a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 26 November 2021 in respect of the Placing
“Placing Price”	HK\$5.92 per Placing Share
“Placing Share(s)”	72,280,000 new Shares placed under the Placing
“PRC” or “China”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	the ordinary share(s) of the Company with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	Brilliant Seed, Tencent Mobility and Instant Sparkle
“Subscription”	the subscription of Subscription Shares by Brilliant Seed, Tencent Mobility and Instant Sparkle at the Subscription Price pursuant to the Subscription Agreements
“Subscription Agreement(s)”	the Brilliant Seed Subscription Agreement, the Tencent Subscription Agreement and the Instant Sparkle Subscription Agreement
“Subscription Price”	HK\$5.92 per Subscription Share
“Subscription Share(s)”	32,854,730 new Shares to be allotted and issued by the Company to the Subscribers under the Subscription
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited, a 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 700, and a substantial shareholder of the Company
“Tencent Mobility”	Tencent Mobility Limited, a wholly owned subsidiary of Tencent

DEFINITIONS

“Tencent Subscription Agreement”	the subscription agreement entered into between the Company and Tencent Mobility dated 28 November 2021 in respect of the Subscription of the Subscription Shares by Tencent Mobility at the Subscription Price
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

** The English names of the PRC nationals, enterprises and entities are translation and/or transliterations of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and translations and/or transliterations, the Chinese names shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chen Xiangyu (*Chairman*)

Mr. Guan Song

Mr. Jeffrey Lyndon Ko

Non-executive Directors:

Mr. Ma Xiaoyi

Mr. Zhang Han

Mr. Yao Xiaoguang

Mr. Chen Yu

Independent Non-executive Directors:

Ms. Yu Bin

Mr. Li Xintian

Mr. Zhang Weining

Mr. Mao Rui

Registered Office:

The offices of Maples Corporate
Services Limited

P.O. Box 309, Uglund House

Grand Cayman, KY1-1104

Cayman Islands

Head office in the PRC:

16/F., Unit 3, Block A

Kexing Science Park

No. 15 Ke Yuan Road

Nanshan District

Shenzhen

Guangdong Province

PRC

20 January 2022

To the Shareholders

Dear Sirs,

**CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 28 November 2021 in relation to, among others, the Subscription Agreements.

LETTER FROM THE BOARD

The purpose of this circular is to give you notice of the EGM and the information relating to the proposal to be proposed at the EGM, including a letter from the Board containing further details of the Subscription Agreements and the transactions contemplated thereunder, a letter of recommendation in relation to the Subscription Agreements and the transactions contemplated thereunder from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreements and the transactions contemplated thereunder.

On 28 November 2021, the Company entered into the Brilliant Seed Subscription Agreement, the Tencent Subscription Agreement and the Instant Sparkle Subscription Agreement, pursuant to which each of Brilliant Seed, Tencent Mobility and Instant Sparkle has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 13,141,892 Subscription Shares, 13,141,892 Subscription Shares and 6,570,946 Subscription Shares, respectively at the Subscription Price of HK\$5.92 for each Subscription Share.

2. THE SUBSCRIPTION AGREEMENTS

Date:

28 November 2021

Parties:

(A) *The Brilliant Seed Subscription Agreement*

- (1) The Company (as issuer);
- (2) Mr. Chen Xiangyu (as warrantor); and
- (3) Brilliant Seed (as Subscriber).

As at the Latest Practicable Date, Brilliant Seed is wholly owned by Mr. Chen Xiangyu, our executive Director, chairman of the Board and chief executive officer, and Mr. Chen Xiangyu, as beneficial owner and through Brilliant Seed, holds 3,682,400 Shares and 243,560,830 Shares, respectively, representing 0.27% and 17.55% of the issued share capital of the Company as at the Latest Practicable Date. Hence, both Mr. Chen Xiangyu and Brilliant Seed are substantial shareholders of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

(B) The Tencent Subscription Agreement

- (1) The Company (as issuer); and
- (2) Tencent Mobility (as Subscriber).

As at the Latest Practicable Date, Tencent Mobility is a substantial shareholder of the Company which holds 235,999,300 Shares, representing approximately 17.01% of the issued share capital of the Company as at the Latest Practicable Date.

(C) The Instant Sparkle Subscription Agreement

- (1) The Company (as issuer); and
- (2) Mr. Lei Junwen (as warrantor); and
- (3) Instant Sparkle (as Subscriber).

Instant Sparkle is wholly owned by Mr. Lei Junwen, a director of Horgos iDreamSky (not an insignificant subsidiary of the Company). As at the Latest Practicable Date, Mr. Lei Junwen, as beneficial owner and through Instant Sparkle, holds 1,150,800 Shares and 27,923,760 Shares, respectively, representing 0.08% and 2.01% of the issued share capital of the Company as at the Latest Practicable Date.

Subscription Shares

32,854,730 new Shares, representing (i) approximately 2.37% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.31% of the issued share capital of the Company as enlarged by the Subscriptions (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion save for the issue of the Subscription Shares).

Subscription Price

The Subscription Price is HK\$5.92 per Share, which represents:

- (1) a discount of approximately 9.34% to the closing price of HK\$6.53 per Share as quoted on the Stock Exchange for the the last trading day immediately prior to the date of the Subscription Agreements;

LETTER FROM THE BOARD

- (2) a discount of approximately 8.87% to the average closing price of approximately HK\$6.50 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreements; and
- (3) a discount of approximately 7.89% to the average closing price of approximately HK\$6.43 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Subscription Agreements.

The Subscription Price is exclusive of transaction fees and levies.

The Subscription Price was determined with reference to the prevailing market price of the Shares and the Placing Price and was negotiated on an arm's length basis between the Company and the Subscribers.

Rights of the Subscription Shares

The Subscription Shares will, on allotment and issue, be free of all liens, pledge, charge and encumbrances, and together with all rights attaching thereto as at the date of the Completion, including the right to receive all dividends or other distributions declared, made or paid on or after the date of Completion. The Subscription Shares will rank *pari passu* in all respects with the Shares in issue upon Completion.

Specific Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The application has been made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Subscription Shares.

Conditions of the Subscriptions

The Completion is conditional upon the satisfaction of the following conditions:

- (1) the Listing Committee having granted listing of and permission to deal in, the Subscription Shares subject to the allotment and issue of the Subscription Shares (and such listing and permission not being subsequently revoked prior to the Completion);

LETTER FROM THE BOARD

- (2) the approval by the relevant Shareholders of the Company at a general meeting approving (among other things) the issue and allotment of the Subscription Shares having been obtained in accordance with the Articles of Association and applicable laws and remaining in full force and effect on the date of the Completion;
- (3) with respect to the Tencent Subscription Agreement, there not having occurred at any time before Completion,
 - (i) any adverse change or development in the financial or trading position of the Group which is material to the Group as a whole in the context of the Subscription; or
 - (ii) the occurrence of any event or the existence of any circumstance which renders any of the warranties untrue in any material respect; and
- (4) with respect to the Tencent Subscription Agreement, all the authorisations, approvals, consents, waivers and permits of the relevant authorities and filings with the relevant jurisdictions (including without limitation the Stock Exchange) which are necessary for entering into the Tencent Subscription Agreement and/or the performance of the obligations herein or otherwise to give effect to the Subscription as required by law having been granted, received, obtained and completed.

The conditions contained in (1), (2) and (4) cannot be waived. Tencent Mobility may in its absolute discretion at any time before Completion waive the conditions contained in (3) by giving a written notice to the Company and such waiver may be subject to such terms and conditions as may be agreed between the relevant Subscriber and the Company in writing.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above as soon as practicable and in any event on or prior to 28 February 2022. If any of the conditions has not been satisfied before 28 February 2022, the Company and each of the Subscribers shall consult each other and discuss a later date for the satisfaction of conditions and Completion as they may agree in writing. In the event that a later date within five (5) Business Days after 28 February 2022 cannot be agreed, the Company or any of the Subscribers shall be entitled to terminate their respective Subscription Agreement by written notice to the other party and the relevant Subscription Agreement and all rights and obligations of the parties hereunder shall cease and terminate save for any accrued rights and obligations of the parties under the relevant Subscription Agreement.

LETTER FROM THE BOARD

Completion of the Subscription

Completion of the Subscription will take place within two (2) Business Days after the date upon which the last of the conditions has been satisfied, provided that it shall take place on a date no later than 28 February 2022 or at such other date as may be agreed between the Company and the Subscribers in writing.

Effect of the Subscription on the shareholding structure of the Company

The shareholding structure of the Company before and after Completion of the Subscription will be as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately after Completion of the Subscription	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Non-public Shareholders				
Mr. Chen Xiangyu ⁽¹⁾	3,682,400	0.27	3,682,400	0.26
Brilliant Seed ⁽¹⁾	243,560,830	17.55	256,702,722	18.07
Tencent Mobility	235,999,300	17.01	249,141,192	17.54
Mr. Lei Junwen ⁽²⁾	1,150,800	0.08	1,150,800	0.08
Instant Sparkle ⁽²⁾	27,923,760	2.01	34,494,706	2.43
Bubble Sky Limited ⁽³⁾	47,337,220	3.41	47,337,220	3.33
Shipshape Holdings Limited ⁽⁴⁾	13,965,000	1.01	13,965,000	0.98
Public Shareholders	<u>813,856,305</u>	<u>58.66</u>	<u>813,856,305</u>	<u>57.30</u>
Total	<u>1,387,475,615</u>	<u>100.00</u>	<u>1,420,330,345</u>	<u>100.00</u>

Notes:

- Mr. Chen Xiangyu directly holds 3,682,400 Shares and indirectly holds 243,560,830 Shares through Brilliant Seed as at the Latest Practicable Date.
- Mr. Lei Junwen directly holds 1,150,800 Shares and indirectly holds 27,923,760 Shares through Instant Sparkle as at the Latest Practicable Date.
- Bubble Sky Limited is wholly owned by Mr. Guan Song, an executive Director, as at the Latest Practicable Date.
- Shipshape Holdings Limited is wholly owned by Mr. Jeffrey Lyndon Ko, an executive Director, as at the Latest Practicable Date.

LETTER FROM THE BOARD

5. The table assumes (i) no Shares will be purchased by the Company, and no Shares will be purchased by the Subscribers and their respective associates, in each case between the Latest Practicable Date and the Completion; and (ii) there will be no change in the issued share capital of the Company from the Latest Practicable Date to the Completion save for the issue of the Subscription Shares.
6. Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

Reasons for the Subscription

The Directors consider that the purpose of the Subscription is to strengthen the financial position of the Group and to provide long-term funding for the Group's expansion and growth plans. The intended use of proceeds is in line with the strategic focus of our Group to enhance our game development capabilities, further enrich our game portfolio and increase our active user base; meanwhile, accelerate the expansion of the Group's offline stores to further promote the development of designer toy business. In addition, the Directors consider that it is in line with the interest of the Company to broaden the shareholder base and the capital base of the Company.

The Directors have also considered other alternative means of fund raising other than the Subscription, including debt financing and other means of equity financing, such as rights issue and/or open offer.

After due consideration, the Directors believe that debt financing is not the most appropriate way of fund raising to the Group, as this alternative may be subject to lengthy due diligence and negotiations with banks, and would also incur further interests burden to the Group. Besides, although the issue of convertible bonds of the Company would also raise long term equity funds on the Company's balance sheet, there are needs for payment of interests, and repayment of principals in the event the bondholders do not exercise conversion rights at maturity.

The Directors also believe that other means of equity financing, such as rights issue and open offer, are not the most ideal fund raising methods to the Group, as these equity financing methods would incur additional costs such as underwriting commission and other professional fees, and would involve in the preparation and issue of a relatively more detailed prospectus and minimum offering period that would result in a relatively longer timeframe to complete. Moreover, the Subscription would maintain and reinforce the Group's strategic corporation relationships with its existing Shareholders which include, but not limited to, members of the Tencent, demonstrating the Shareholder Subscribers' confidence and commitment towards the long-term and sustainable development of the Group.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the circular) consider that the terms of the Brilliant Seed Subscription Agreement, the Tencent Subscription Agreement and the Instant Sparkle Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As Mr. Chen Xiangyu is the sole shareholder of Brilliant Seed and Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu hold positions as senior management of Tencent, the holding company of Tencent Mobility, they are regarded as having material interests in the transactions contemplated under the Brilliant Seed Subscription Agreement and the Tencent Subscription Agreement, respectively and have abstained from voting on the Board resolution to approve the respective transactions.

Use of proceeds of the Subscription

The Company expects to receive estimated net proceeds from the Subscription (the “**Subscription Proceeds**”) of approximately HK\$194.50 million, being the equivalent of approximately RMB159.06 million based on a conversion rate of RMB0.8178 to HKD1.00. The estimated net Subscription Price is therefore approximately HK\$5.92 per Subscription Share. The Company intends to use the Subscription Proceeds for the following purpose detailed below:

Purpose	Relevant Amount in the Subscription Proceeds <i>RMB million</i>	Approximate % of the Subscription Proceeds
General working capital	18.00	11.3
Research and development to further expand the Company’s portfolio of self-developed games ⁽¹⁾	93.00	58.5
Expansion of the Group’s offline stores ⁽²⁾	36.20	22.8
Other possible investment in the future ⁽³⁾	11.87	7.5
Total	159.06	100%

Notes:

- (1) At this stage, the Company’s self-developed games under R&D include match-three puzzle games, shooting competitive games and role-playing games, which are expected to be launched in 2022 and/or 2023, subject to the specific R&D progress.

LETTER FROM THE BOARD

- (2) The Company proposes to use such amount in establishment and launch of QQfamily offline stores in popular commercial districts of the first and second-tier cities across the mainland China as previously disclosed in the Company's annual report for financial year ended 31 December 2020.
- (3) The Company intends to electively pursue other possible investment opportunities in the future, including but not limited to form strategic corporation relationships and partnerships and pursue investments and acquisitions in businesses that are synergistic and complementary to the Group's ecosystem, including those businesses or assets that can enhance the Company's game research and development capabilities and offline entertainment business. As of the Latest Practicable Date, the Company has not identified any specific target of potential merger or acquisition.
- (4) Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

The Company will provide further updates on the use of the Subscription Proceeds in its future annual and interim reports in accordance with the requirements of the Listing Rules.

Equity fund raising activity in past 12 months

On 26 November 2021, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as agent for the Company, to procure, on a best effort basis, placees to subscribe for the Placing Shares at the Placing Price of HK\$5.92 for each Placing Share. The completion of the Placing took place on 13 December 2021 in accordance with the terms and conditions of the Placing Agreement, where an aggregate of 72,280,000 Shares were successfully placed to five placees, who, together with their respective ultimate beneficial owners, to the best of the knowledge, information and belief of the Directors, are third parties independent of the Company and are not connected persons of the Company. The Placing Shares were issued under the General Mandate as approved at the 2020 AGM. For further details in relation to the Placing, please refer to the Company's announcements dated 28 November 2021 and 13 December 2021. The Placing and the Subscription are not inter-conditional with each other, and the Completion is subject to the satisfaction of the conditions precedent in the Subscription Agreements as disclosed in this circular.

LETTER FROM THE BOARD

The Company expects to receive estimated net proceeds from the Placing (the “**Placing Proceeds**”) of approximately HK\$427.04 million, being the equivalent of approximately RMB349.23 million using the conversion rate of RMB0.8178 to HKD1.00. The table below sets out the planned applications of the Placing Proceeds and the actual usage up to the Latest Practicable Date:

Use of Proceeds	Approximate % of the Placing Proceeds	Planned allocation of Placing Proceeds <i>(HK\$ million)</i>	Planned allocation of Placing Proceeds <i>(RMB million)</i>	Utilized amount (as at Latest Practicable Date) <i>(RMB million)</i>	Expected timeline for unutilised proceeds
General working capital	9.16%	39.13	32.00	20.5	Expected to be fully utilised by 31 December 2022
Research and development to further expand the Company’s portfolio of self-developed games ⁽¹⁾	60.13%	256.79	210.00	28.4	Expected to be fully utilised by 31 December 2022
Expansion of the Group’s offline stores ⁽²⁾	20.04%	85.60	70.00	—	Expected to be fully utilised by 31 December 2022
Other possible investment in the future ⁽³⁾	10.66%	45.52	37.23	—	Expected to be fully utilised by 31 December 2022
Total	100%	427.04	349.23	48.9	—

Notes:

- (1) At this stage, the Company’s self-developed games under R&D include match-three puzzle games, shooting competitive games and role-playing games, which are expected to be launched in 2022 and/or 2023, subject to the specific R&D progress.
- (2) The Company proposes to use such amount in establishment and launch of QQfamily offline stores in popular commercial districts of the first and second-tier cities across the mainland China as previously disclosed in the Company’s annual report for financial year ended 31 December 2020.
- (3) The Company intends to electively pursue other possible investment opportunities in the future, including but not limited to form strategic corporation relationships and partnerships and pursue investments and acquisitions in businesses that are synergistic and complementary to the Group’s ecosystem, including those businesses or assets that can enhance the Company’s game research and development capabilities and offline entertainment business. As of the Latest Practicable Date, the Company has not identified any specific target of potential merger or acquisition.
- (4) Certain figures and percentage figures included in the above table have been subject to rounding adjustments.

LETTER FROM THE BOARD

Information about the parties

The Group is a leading digital entertainment platform in China. With online gaming business, SaaS business and regular chain stores of “WePlay” offering offline entertainment experience and designer toy retail as its main business, it has created an “24/7 online & offline entertainment life circle”.

Brilliant Seed is an investment holding company incorporated in the British Virgin Islands, which is wholly owned and controlled by Mr. Chen Xiangyu.

Tencent Mobility is a wholly owned subsidiary of Tencent. Tencent is a leading provider of Internet value-added services in China, including communications and social, games, digital content, advertising, fintech and cloud services and its shares are listed on the Main Board of the Stock Exchange.

Instant Sparkle is an investment holding company incorporated in the British Virgin Islands, which is wholly owned and controlled by Mr. Lei Junwen.

Listing Rules implications

As at the Latest Practicable Date, each of Mr. Chen Xiangyu, Brilliant Seed and Tencent Mobility is a substantial shareholder of the Company, which holds 247,243,230 Shares, 243,560,830 Shares and 235,999,300 Shares, respectively, representing approximately 17.82%, 17.55% and 17.01% of the issued share capital of the Company as at the Latest Practicable Date, and Instant Sparkle is wholly owned by Mr. Lei Junwen, a director of Horgos iDreamSky (not an insignificant subsidiary of the Company).

Hence, each of Mr. Chen Xiangyu, Brilliant Seed, Tencent Mobility, Instant Sparkle and Mr. Lei Junwen is a connected person of the Company, and the Subscription constitutes connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

3. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 51 to 54 of this circular to consider the resolution regarding the Subscription Agreements and the transactions contemplated thereunder.

LETTER FROM THE BOARD

4. ACTIONS TO BE TAKEN

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.idreamsky.com. If you do not intend or are unable to attend the EGM and wish to appoint a proxy/proxies to attend and vote on your behalf, you are requested to complete the form of proxy and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting if you so wish, and in such event the form of proxy shall be deemed to be revoked.

5. CLOSURE OF THE REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 11 February 2022 to Wednesday, 16 February 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 10 February 2022.

6. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As of the Latest Practicable Date, (a) Brilliant Seed is wholly owned by Mr. Chen Xiangyu, our executive Director, chairman of the Board and chief executive officer, and Mr. Chen Xiangyu, as beneficial owner and through Brilliant Seed, holds 3,682,400 Shares and 243,560,830 Shares, respectively, representing 0.27% and 17.55% of the issued share capital of the Company; (b) Tencent Mobility holds 235,999,300 Shares, representing approximately 17.01% of the issued share capital of the Company; and (c) Mr. Lei Junwen, as beneficial owner and through Instant Sparkle, holds 1,150,800 Shares and 27,923,760 Shares, respectively, representing 0.08% and 2.01% of the issued share capital of the Company.

LETTER FROM THE BOARD

As each of Brilliant Seed, Mr. Chen Xiangyu, Tencent Mobility, Mr. Lei Junwen and Instant Sparkle is interested in the Subscription, each of them will be required to abstain from voting on the resolutions in relation to the Subscription Agreements and the transactions contemplated thereunder. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder is required to abstain from voting on any of the resolutions to be proposed at the EGM.

7. RECOMMENDATION

The Directors believe that the resolutions to be proposed at the EGM are in the interests of the Company and the Shareholders. Accordingly, the Board recommends you to vote in favour of the resolutions to be proposed at the EGM.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreements are determined after arm's length negotiation and are on normal commercial terms, and the terms of the transactions under each of the Subscription Agreements are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution with respect to the Subscription Agreements and the transactions contemplated thereunder to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the terms of the Subscription Agreements are determined after arm's length negotiation and are on normal commercial terms, and the terms of the transactions under each of the Subscription Agreements are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution with respect to the Subscription Agreements and the transactions contemplated thereunder to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 20 to 21 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Subscription Agreements and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from the Independent Financial Adviser as set out on pages 22 to 44 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreements and the transactions contemplated thereunder. You are advised to read these letters from the Independent Board Committee and the Independent Financial Adviser before deciding how to vote on the resolution at the EGM.

LETTER FROM THE BOARD

Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Yours faithfully,

By order of the Board

iDreamSky Technology Holdings Limited

Chen Xiangyu

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to connected transaction in relation to subscription of new Shares under Specific Mandate.



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)

20 January 2022

To the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 20 January 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Group, and in the interest of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Veda Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

After taking into account the advice of the Independent Financial Adviser as set out the Circular, we consider that the Subscription Agreements and the transactions contemplated thereunder, though not entered into in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreements and the transactions contemplated thereunder.

Yours faithfully,
The Independent Board Committee

Ms. Yu Bin

Mr. Li Xintian

Mr. Zhang Weining

Mr. Mao Rui

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the respective transactions contemplated thereunder which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL
智 略 資 本

Suites 1001-1002, 10/F., 299 QRC
299 Queen's Road Central
Hong Kong

20 January 2022

*To: Independent Board Committee and the Independent Shareholders of
iDreamSky Technology Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTIONS IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the respective transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the Circular dated 20 January 2022 issued by the Company to the Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As set out in the Board Letter, among other matters, on 28 November 2021, the Company entered into the Subscription Agreements, pursuant to which, each of Brilliant Seed, Tencent Mobility and Instant Sparkle has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 13,141,892 Subscription Shares, 13,141,892 Subscription Shares and 6,570,946 Subscription Shares, respectively, under the Specific Mandate at the Subscription Price of HK\$5.92 for each Subscription Share.

As at the Latest Practicable Date, (i) Brilliant Seed is wholly owned by Mr. Chen Xiangyu, the executive Director, chairman of the Board and chief executive officer of the Company, and Mr. Chen Xiangyu, as beneficial owner and through Brilliant Seed, holds 3,682,400 Shares and 243,560,830 Shares, respectively, representing approximately 0.27% and approximately 17.55% of the issued share capital of the Company; and (ii) Tencent Mobility holds 235,999,300 Shares,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

representing approximately 17.01% of the issued share capital of the Company. Therefore, each of Mr. Chen Xiangyu, Brilliant Seed and Tencent Mobility is a substantial shareholder and a connected person of the Company. As at the Latest Practicable Date, Mr. Lei is a director of Horgos iDreamSky (not an insignificant subsidiary of the Company) and is therefore a connected person of the Company. Accordingly, Instant Sparkle, as a company wholly owned by Mr. Lei Junwen, is also a connected person of the Company. As such, the Subscription constitutes connected transactions for the Company and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

As Mr. Chen Xiangyu is the sole shareholder of Brilliant Seed and Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu hold positions as senior management of Tencent Holdings Limited, the holding company of Tencent Mobility, they are regarded as having material interests in the transactions contemplated under the Brilliant Seed Subscription Agreement and the Tencent Mobility Agreement respectively and have abstained from voting on the Board resolution to approve the Subscription.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the respective transactions contemplated thereunder is conducted in the ordinary and usual course of business of the Company, and whether the terms under each of the Subscription Agreements are on normal commercial terms, fair and reasonable and that the entering of the Subscription Agreements are in the best interests of the Company and the Shareholders as a whole. We, Veda Capital, have been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Subscription Agreements and the transactions contemplated thereunder, there were no other engagements between us and the Group in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) information in relation of the Group, including but not limited to, the published financial reports of the Company for the six months ended 30 June 2021 and for the two financial years ended 31 December 2020; (ii) information provided by the Company; (iii) the Circular; and (iv) market information obtained from the website of the Stock Exchange. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Subscription Agreements and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Information of the Group

The Group is a leading digital entertainment platform in the PRC principally engaged in (i) game and information services (the “**Gaming Business**”); (ii) software-as-a-service and other related services (the “**SaaS Business**”); and (iii) “WePlay” offline entertainment business through operating regular chain stores (the “**Offline Entertainment Business**”).

Set out below is a summary of the unaudited consolidated financial information of the Group for the six months ended 30 June 2020 and 2021 as extracted from the interim report of the Company for the six months ended 30 June 2020:

For the six months ended 30 June 2021

	For the six months ended		changes
	30 June		
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Revenue	1,367,072	1,591,643	(14.11)
— <i>the Gaming Business</i>	1,324,584	1,566,818	(15.46)
— <i>the SaaS Business</i>	30,657	22,545	35.98
— <i>the Offline Entertainment Business</i>	11,831	2,280	418.90
Profit/(loss) attributable to the Shareholders	(73,495)	136,986	Turnaround from profit to loss

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June		YOY changes
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(unaudited)	
Total assets	6,402,802	6,752,841	(5.18)
Net asset attributable to the Shareholders	3,393,690	3,448,271	(1.58)

The Group recorded revenue for the six months ended 30 June 2021 in the amount of approximately RMB1,367.07 million, representing a decrease of approximately 14.11% as compared to that for the six months ended 30 June 2020 in the amount of approximately RMB1,591.64 million. As advised by the Company, the decrease in revenue was mainly resulted from, including but not limited to, the termination of the Group's products that were considered as unfitting to its strategy under the Gaming Business and the conversion of the high-quality mid-and hardcore console/PC games into mobile games.

The Group recorded a loss attributable to the Shareholders for the six months ended 30 June 2021 in the amount of approximately RMB73.50 million as compared to a profit attributable to the Shareholders for the six months ended 30 June 2020 in the amount of approximately RMB136.99 million. As advised by the Company, the turnaround from profit to loss was mainly due to, including but not limited to, (i) the decrease in Group's gross profit by approximately RMB166.02 million due to the termination of games that were not aligning with its core strategy; (ii) the increase of research and development expenses in the amount of approximately RMB51.11 million resulted from, among others, continuous investment in enhancing game development capabilities and improving perfecting traffic pool management; and (iii) the increase in interest expenses due to the Group's issuance of the HK\$775 million secured convertible bonds in October 2020.

The Group's unaudited total assets as at 30 June 2021 amounted to approximately RMB6,402.80 million. The Group's unaudited net asset value attributable to the Shareholders amounted to approximately RMB3,393.69 million as at 30 June 2021, representing a decrease of approximately 1.58% as compared to that of approximately RMB3,448.27 million as at 30 June 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the two financial years ended 31 December 2019 and 2020 respectively which were extracted from the annual reports of the Company for the financial year ended 31 December 2019 and 2020 respectively:

For the financial year ended 31 December 2020

	For the years ended		YOY changes
	31 December		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Revenue	3,212,118	2,792,970	15.01
— <i>The Gaming Business</i>	3,167,481	2,771,319	14.30
— <i>The SaaS Business</i>	38,151	16,580	130.10
— <i>The Offline Entertainment Business</i>	6,486	5,071	27.90
Profit/(loss) attributable to the Shareholders	(441,570)	352,233	Turnaround from profit to loss
	As at 31 December		YOY changes
	2020		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Total assets	6,752,841	6,086,762	10.94
Net asset attributable to the Shareholders	3,448,271	3,557,558	(3.07)

The Group recorded revenue for the financial year ended 31 December 2020 in the amount of approximately RMB3,212.12 million, representing an increase of approximately 15.01% as compared to that for the financial year ended 31 December 2019 in the amount of approximately RMB2,792.97 million. As advised by the Company, the increase in revenue was mainly due to, among others, the increase in revenue generated from the Gaming Business resulted from the solid performance of the higher grossing games of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a loss attributable to the Shareholders for the financial year ended 31 December 2020 in the amount of approximately RMB441.57 million as compared to a profit attributable to the Shareholders for the financial year ended 31 December 2019 in the amount of approximately RMB352.23 million. As advised by the Company, the turnaround from profit to loss was mainly due to, among others, (i) the provision for impairment of goodwill in the amount of approximately RMB493.68 million arising from the acquisition of Shanghai Huohun Internet Technology Co., Ltd.; and (ii) impairment losses in the aggregate amount of approximately RMB91.90 million arising from the Group's investments in associates as a result from the revisions of its long-term financial outlook, the changes in the market environment of the affected associates and serious deterioration of operation arising from the negative impact of COVID-19 pandemic.

The Group's audited total assets as at 31 December 2020 amounted to approximately RMB6,752.84 million. The Group's audited net asset value attributable to the Shareholders amounted to approximately RMB3,448.27 million as at 31 December 2020.

For the financial year ended 31 December 2019

	For the years ended		YOY changes
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Revenue	2,792,970	2,364,641	18.11
— <i>Game revenue</i>	2,446,876	2,087,561	17.21
— <i>Information service revenue</i>	332,142	269,962	23.03
— <i>Other revenue</i>	13,952	7,118	96.01
Profit attributable to the Shareholders	352,233	246,384	42.96

	As at 31 December		YOY changes
	2019		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	%
	(audited)	(audited)	
Total assets	6,086,762	5,618,071	8.34
Net asset attributable to the Shareholders	3,557,558	3,127,001	13.77

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: Prior to the Group's repositioning of its business during the financial year ended 31 December 2020, the Group's revenue source was categorized as (i) game revenue; (ii) information service revenue; and (iii) other revenue. During the financial year ended 31 December 2020, the Group expanded its core business to variety of services. The game revenue, information service revenue from operation which are not related to the SaaS Business and other revenue from operation which are not related to the Offline Entertainment Business have been categorized under the Gaming Business, while the rest of the information service revenue and other revenue have formed the SaaS Business and the Offline Entertainment respectively. The segment information for the financial year ended 31 December 2019 in the table above was expressed as the previous business segments of the Group for illustrative purpose.

The Group recorded revenue for the financial year ended 31 December 2019 in the amount of approximately RMB2,792.97 million, representing an increase of approximately 18.11% as compared to the revenue for the financial year ended 31 December 2018 in the amount of approximately RMB2,364.64 million. As advised by the Company, the increase in revenue was mainly due to, among others, (i) the increase in game revenue resulted from the solid performance of the higher grossing games of the Group; and (ii) the increase in information service revenue resulted from the combination of the increased in-game advertisement slots and the increased advertisement rates were charged on the advertisers or advertising agents as the market conditions of the gaming industry improved during the financial year ended 31 December 2019.

The Group recorded a profit attributable to the Shareholders for the financial year ended 31 December 2019 in the amount of approximately RMB352.23 million, representing an increase of approximately 42.96% as compared to that for the financial year ended 31 December 2018 in the amount of approximately RMB246.38 million. As advised by the Company, the increase in profit attributable to the Shareholders was mainly due to (i) increase in revenue driven by game revenue as mentioned in the above; and (ii) the gain in financial assets at fair value through profit or loss in the amount of approximately RMB74.67 million, which consists of the Group's investments of convertible redeemable preferred shares, interests in companies which are listed on the Stock Exchanges and interests in private companies which are engaged in technology, game developing and other internet-related services businesses.

The Group's audited total assets as at 31 December 2019 amounted to approximately RMB6,086.76 million. The Group's audited net asset value attributable to the Shareholders amounted to approximately RMB3,557.56 million as at 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information on the Subscribers

Brilliant Seed

Brilliant Seed is an investment holding company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Chen Xiangyu.

As at the Latest Practicable Date, Mr. Chen Xiangyu, as beneficial owner and through Brilliant Seed, holds 3,682,400 Shares and 243,560,830 Shares, respectively, representing approximately 0.27% and approximately 17.55% of the issued share capital of the Company respectively.

Tencent Mobility

Tencent Mobility is a wholly owned subsidiary of Tencent. Tencent is a leading provider of Internet value-added services in the PRC, including communications and social, games, digital content, advertising, fintech and cloud services and its shares are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, Tencent Mobility holds 235,999,300 Shares representing approximately 17.01% of the issued share capital of the Company.

Instant Sparkle

Instant Sparkle is an investment holding company incorporated in the British Virgin Islands, which is wholly owned and controlled by Mr. Lei Junwen.

As at the Latest Practicable Date, Mr. Lei Junwen, as beneficial owner and through Instant Sparkle, holds 1,150,800 Shares and 27,923,760 Shares, respectively, representing approximately 0.08% and approximately 2.01% of the issued share capital of the Company.

3. Reasons for the Subscription

As set out in the Board Letter, the Directors consider that the purpose of the Subscription, and together with the Placing, is to strengthen the financial position of the Group and to provide long-term funding for the Group's expansion and growth plans. The net proceeds from the Subscription in the amount of approximately HK\$194.50 million are intended to be used for general working capital, research and development of self-developed games of the Company, expansion of the Group's offline stores and other possible investment in the future. The Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

consider that the intended use of proceeds can enhance the Group's game development capabilities, enrich its game portfolio and increase its active user base while also accelerate the expansion of its offline stores to further promote the development of designer toy business.

We noted from the sub-section headed under "Use of proceeds of the Subscription" in the Board Letter that the Company intends to use the Subscription Proceeds to further develop its existing principal businesses, including (i) the Gaming Business where the Group will focus on the development and operation of match-three puzzle games and other competitive games and will convert high-quality console/PC games into mobile games; and (ii) the Offline Entertainment Business to continue to operate and expand its "WePlay" offline stores. We understand that the Gaming Business is the core business of the Group and has been its main revenue contributor while the concept and development of "WePlay" stores under the Offline Entertainment Business is also expected to match the Group's goals to continue to strengthen its diversified and cross-platform connecting its online entertainment and gaming products with its offline merchandises to increase market exposures and revenue sources. Based on information provided by the Company, we noted that (i) the Group has launched 17 offline retail stores since 2019 in the top-tier cities such as Guangzhou City and Shenzhen City in the PRC; and (ii) these WePlay stores are often themed stores selling merchandises related to the Group's products under the Gaming Business and gaming-related products of other influential designers or well-known enterprises in the gaming industry. In addition, we observed that the revenue generated from these retail stores under the Offline Entertainment Business has also notably improved to approximately RMB11.83 million over the period for the first six months in 2021 as illustrated in the section earlier under the financial information of the Group. We therefore concur with the Directors that the Subscription together with the above-mentioned uses of the Subscription Proceeds may enrich the Group's businesses development, increase its revenue sources and solidify its market exposures, potential business opportunities with other enterprises and active users base in the gaming industry, and is therefore in the interests of the Company and the Shareholders as a whole.

As advised by the Company, it has also considered other alternative means of fund raising other than the Subscription such as debt financing and other means of equity financing such as rights issue and/or open offer.

The Board considered that debt financing is not the most appropriate way of fund raising to the Group as this alternative may be subject to lengthy due diligence and negotiations with banks and would also incur further interest burden to the Group, while the issue of convertible bonds of the Company would raise long term equity fund on the Company's balance sheet and the need for payment of interest and/or repayment of principal at maturity in the event the bondholder does not convert the bond at maturity.

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For other means of equity financing, a rights issue or an open offer would incur additional costs such as underwriting commission and other professional fees and would involve in the preparation and issue of a relatively more detailed prospectus and minimum offering period that would result in a relatively longer timeframe to complete. Moreover, the Subscription would maintain and reinforce the Group's strategic corporation relationships with its existing Shareholders which include, but not limited to, members of the Tencent Holdings Limited, providing an efficient means of raising capital for the Group's present needs. The Subscription demonstrated the Subscribers' confidence and commitment towards the long-term and sustainable development of the Group.

Having considered (i) the Subscription will strengthen the financial position of the Group and will provide funding for the Group's expansion and growth plans of its existing businesses which is in line with the Group's focus; (ii) the Subscription Proceeds will be used to develop the Group's existing principal businesses and may enrich the Group's business development and increase its active users base; and (iii) the benefits of the Subscription as compared to the alternative means of other fund raising methods, we concur with the Directors' view that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Subscription Agreements and the respective transactions contemplated thereunder is in the best interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Subscription Agreements

The key terms for each of the Subscription Agreements are substantially identical and a summary of the principal terms of the Subscription Agreements are set out as below:

Date: 28 November 2021

Parties:

(A) Brilliant Seed Subscription Agreement

(1) the Company (as issuer);

(2) Mr. Chen Xiangyu (as warrantor); and

(3) Brilliant Seed (as subscriber) to subscribe for 13,141,892 Subscription Shares.

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(B) Tencent Subscription Agreement

- (1) the Company (as issuer); and
- (2) Tencent Mobility (as subscriber) to subscribe for 13,141,892 Subscription Shares.

(C) Instant Sparkle Subscription Agreement

- (1) the Company (as issuer);
- (2) Mr. Lei Junwen (as warrantor); and
- (3) Instant Sparkle (as subscriber) to subscribe for 6,570,946 Subscription Shares.

Subscription Shares

The aggregate of 32,854,730 Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed at the EGM and will rank pari passu in all respects with the Shares in issue on the completion of the Subscriptions.

Subscription Price

As stated in the Board Letter, the Subscription Price of HK\$5.92 per Share is the same as the Placing Price and represents:

- (i) a discount of approximately 9.34% to the closing price of HK\$6.53 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the Subscription Agreements;
- (ii) a discount of approximately 8.87% to the average closing price of approximately HK\$6.50 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 7.89% to the average closing price of approximately HK\$6.43 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Subscription Agreement.

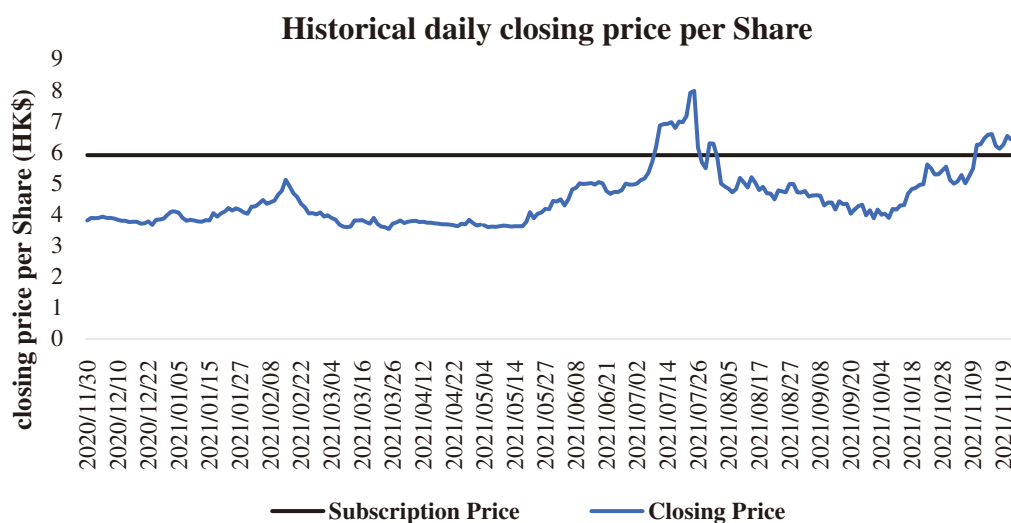
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As stated in the Board Letter, the Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscribers.

Please refer to the section headed "PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENTS" in the Board Letter for more details of the terms of the Subscription.

Historical price performance of the Shares

In assessing the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 28 November 2020 (being the date one year prior to the date of the Subscription Agreements) up to and including the date of the Subscription Agreements (the "Review Period"). We consider that the Review Period is fair, adequate, representative and sufficient to illustrate the general trend and level of movement of recent closing prices of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Subscription Price. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:



Source: the website of the Stock Exchange

As illustrated in the above, during the Review Period, the daily closing prices of the Shares ranged from HK\$3.54 per Share to HK\$7.99 per Share respectively, with an average daily closing price of approximately HK\$4.56 per Share (the "Average Closing Price"). We noted that during the Review Period, there were 219 out of 246 trading days

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on which the closing price of the Shares was below the Subscription Price and that the Subscription Price represented a premium of approximately 29.82% over the Average Closing Price.

Historical trading liquidity of the Shares

In assessing the liquidity of the trading of the Shares, we have performed a review on the average daily trading volume per month (the “**Average Daily Volume**”) of the Shares during the Review Period, which is commonly used for analysis purpose to illustrate the liquidity of the Shares.

Month/Period	Total trading volume of the Shares	Number of trading days	Average Daily Volume of Shares	Average Daily Volume during the period as a percentage of the total number of Shares
		<i>(days)</i>	<i>(approximate)</i>	<i>(approximate %)</i>
2020				
28–30 November	2,262,400	1	2,262,400	0.178
December	68,832,376	22	3,128,744	0.246
2021				
January	110,322,209	20	5,516,110	0.434
February	166,704,198	18	9,261,344	0.729
March	123,015,605	23	5,348,505	0.421
April	46,481,400	19	2,446,389	0.193
May	125,620,020	20	6,281,001	0.495
June	217,861,890	21	10,374,376	0.820
July	944,712,213	21	44,986,296	3.421
August	413,647,290	22	18,802,150	1.430
September	186,047,821	21	8,859,420	0.674
October	210,813,600	18	11,711,867	0.891
1–28 November (up to the date of the Subscription Agreements)	382,267,644	20	19,113,382	1.453

Source: the website of the Stock Exchange

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As illustrated in the table above, the Average Daily Volume of the Shares during the Review Period ranged from approximately 2,262,400 Shares in November 2020 to approximately 44,986,296 Shares in July 2021, representing approximately 0.178% to approximately 3.421% of the total number of issued Shares. We have discussed with the Management regarding the relatively high liquidity of the Shares in July 2021 and were advised that they were not aware of any particular reason that led to such event.

The above statistics revealed that the liquidity of the Shares was relatively low throughout most of the Review Period, and save for the single month in July 2021, the Average Daily Volume as a percentage of the total number of issued Shares for each month (including the month of the release of the Subscription Announcement) during the Review Period was not more than 1.5%, we consider that the trading of the Shares did not appear to be active during most of the Review Period and the trading volume of the Shares was in general relatively low.

Market comparables analysis

In assessing the fairness and reasonableness on the Subscription, we have conducted a search on the website of the Stock Exchange for all the transactions involving subscription of new shares of listed companies (but excluding long-suspended companies i.e. over 6 months) which were announced from 28 August 2021 to the Last Trading Day, being 3 months period prior to the date of the Subscription Agreements (the “**Comparable Period**”). We have considered the proposed subscription of new shares by either connected persons or independent third parties in our research, since the terms of such subscriptions are arrived at based on prevailing market conditions regardless of whether the respective subscribers are connected persons or not and represent an unbiased reference on market terms, therefore providing a good reference in our evaluation of the terms of the Subscription Agreements. We considered the Comparable Period as sufficient and appropriate for the analysis based on the following basis (a) the comparable transactions during such period are close to the date of the Subscription Agreements and therefore reflecting the latest market prevailing conditions and considered to be conducted under similar and recent market conditions and sentiments; and (b) there are sufficient comparable companies in this period such that the average figures calculated are not likely to be significantly affected by any individual comparable transaction for our analysis.

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Based on the said criteria, we have identified 35 comparable transactions (the “**Subscription Comparables**”) which we consider to be exhaustive and sufficient to assess the fairness and reasonableness of the Subscription Price. Although the circumstances surrounding the Subscription Comparables may be different from those relating to the Company, we consider that the Comparable Period is adequate and fair and reasonable to capture the prevailing market conditions in relation to the Subscription transactions which the Subscription Comparables, serving as a general market information and reference to prevailing market practices in relation to recent transactions involving subscription of new shares conducted by the companies listed in the Stock Exchange and may help us to assess and evaluate the fairness and reasonableness of the Subscription Price. Set out below is a comparison of the Subscription Comparables:

Date		Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement	Premium/ (discount) of the subscription price over/to average closing price for the last ten trading days prior to the date of the respective agreement	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 2, 5&6)
#	(note 1) Company (stock code)	%	%	%	%
1	Nov 26 CGN Mining Company Limited (1164)	(18.37)	(19.84)	(22.03)	(76.49)
2	Nov 19 China Evergrande New Energy Vehicle Group Limited (708)	(15.01)	(19.96)	(17.45)	(80.87)
3	Nov 19 DT Capital Limited (356)	(10.26)	(9.33)	(9.56)	(91.57)
4	Nov 18 Jimu Group Limited (8187)	10.00	(19.59)	(8.26)	N/A (note 3)
5	Nov 18 Goal Rise Logistics (China) Holdings Limited (1529)	(19.35)	(18.96)	(24.78)	13.45
6	Nov 14 China Nuclear Energy Technology Corporation Limited (611)	(6.17)	0.92	(0.45)	0.00

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Date # (note 1)	Company (stock code)	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last ten trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 2, 5&6) %
7	Nov 13 Sunac China Holdings Limited (1918)	(10.92)	1.80	(0.51)	(55.03)
8	Nov 12 Haidilao International Holding Ltd. (6862)	(7.97)	(4.76)	(3.04)	788.52
9	Nov 11 Lingbao Gold Group Company Ltd. (3330)	(12.37)	(10.90)	(10.99)	925.78 (note 4)
10	Nov 10 China Evergrande New Energy Vehicle Group Limited (708)	(19.89)	(17.96)	(21.26)	88.76
11	Nov 9 Enterprise Development Holdings Limited (1808)	(11.39)	(10.94)	(12.61)	(45.50)
12	Nov 5 China Shenghai Group Limited (1676)	(5.06)	0.40	0.13	(70.58)
13	Oct 29 Hong Kong Aerospace Technology Group Limited (1725)	(19.97)	(17.65)	(18.22)	2,518.98 (note 4)
14	Oct 29 Universal Health International Group Holdings Limited (2211)	(4.93)	(6.25)	(8.54)	(92.60)
15	Oct 27 Li Ning Company Limited (2331)	(8.09)	(5.02)	(1.02)	1,624.24 (note 4)
16	Oct 26 China Yuhua Education Corporation Limited (6169)	(11.97)	(16.23)	(7.67)	181.62
17	Oct 26 Wealthking Investments Limited (1140)	(16.22)	(13.65)	(16.22)	(52.33)

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Date # (note 1)	Company (stock code)	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to average closing price for the last ten trading days prior to the date of the respective agreement %	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 2, 5&6) %
18 Oct 26	Aux International Holdings Limited (2080)	1.61	2.27	1.78	74.10
19 Oct 23	CIFI Ever Sunshine Services Group Limited (1995)	(8.80)	(4.67)	(2.60)	602.08
20 Oct 20	Elegance Optical International Holdings Limited (907)	(19.83)	(14.36)	(18.64)	693.05
21 Oct 19	Shimao Services Holdings Limited (873)	(9.75)	(7.28)	(6.22)	339.97
22 Oct 19	China Education Group Holdings Limited (839)	(9.36)	5.51	10.14	164.81
23 Oct 6	Zhongyu Gas Holdings Limited (3633)	(9.94)	(8.92)	(9.40)	128.14
24 Oct 4	China Environmental Technology Holdings Limited (646)	96.08 (note 4)	61.81 (note 4)	56.01 (note 4)	N/A (note 3)
25 Sep 27	China Aoyuan Group Limited (3883)	(1.90)	0.00	(7.14)	(55.62)
26 Sep 27	China Aoyuan Group Limited (3883)	(1.90)	0.00	(7.14)	(55.62)
27 Sep 24	Unitas Holdings Limited (8020)	(18.18)	(16.67)	(14.08)	1,005.78 (note 4)
28 Sep 21	Top Standard Corporation (8510)	(18.84)	(16.42)	(17.40)	N/A (note 3)

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Date	Premium/ (discount) of the subscription price over/to closing price per share on the last trading day prior to the date of the respective agreement	Premium/ (discount) of the subscription price over/to average closing price for the last five trading days prior to the date of the respective agreement	Premium/ (discount) of the subscription price over/to average closing price for the last ten trading days prior to the date of the respective agreement	Premium/ (discount) of the subscription price over/to consolidated net assets value per share (notes 2, 5&6)	
# (note 1) Company (stock code)	%	%	%	%	
29 Sep 16	China Ocean Group Development Limited (8047)	26.58	20.48	15.07	(51.49)
30 Sep 15	Synergy Group Holdings International Limited (1539)	(81.48) <i>(note 4)</i>	(77.01) <i>(note 4)</i>	(75.43) <i>(note 4)</i>	6.69
31 Sep 14	Ever Harvest Group Holdings Limited (1549)	(18.95)	(19.51)	(19.93)	143.29
32 Sep 9	Orient Overseas (International) Limited (316)	(8.76)	(10.58)	(11.13)	118.63
33 Sep 8	China Public Procurement Limited (1094)	(19.78)	(8.61)	1.06	(58.86)
34 Sep 1	CA Cultural Technology Group Limited (1566)	(9.42)	(6.51)	(5.59)	109.31
35 Aug 30	Da Ming International Holdings Limited (1090)	(7.91)	(4.12)	0.00	11.88
	Minimum	(19.97)	(19.96)	(24.78)	(92.60)
	Maximum	26.60	20.48	15.07	788.52
	Average	(9.79)	(7.54)	(8.29)	95.63
Nov 26	The Subscription	(9.34)	(8.07)	(7.79)	87.18

Notes:

1. Refer to the respective agreement date of the Subscription Comparable.

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2. *The net assets value per share for each of the Subscription Comparables was extracted from their respective latest financial reports (i.e. interim/annual report/results) of the Subscription Comparables. Net assets value per share was calculated based on the reported net assets value of the Subscription Comparable divided by the number of their respective issued shares as at the date of the relevant announcement of the Subscription Comparable.*
3. *Each of these Subscription Comparables had recorded net liabilities position according to their respective latest financial reports and were excluded in our “premium/(discount) of the subscription price over/to the consolidated net assets value per share” analysis.*
4. *These figures were considered as outliers and were not included in their respective analysis. An outlier of a data set is identified if it is more than 1.5 times interquartile range above the third quartile or below the first quartile. Accordingly, the premium or discount of subscription price of each of these Subscription Comparables has been considered as outliers and excluded from comparison.*
5. *Given the broad ranging of the premium/(discount) of the subscription price over/to the consolidated net asset value in the Comparable Period from a discount of approximately 92.60% to a premium of approximately 788.52% (considering the fact that outliers were also excluded), we consider such information less meaningful in drawing any conclusion and is illustrated in the analysis for information purposes only.*
6. *Exchange rate of RMB1=HK\$1.2257 and US\$1=HK\$7.8000 were applied when computing the respective Subscription Comparables market capitalisation.*

As illustrated in the table above (excluding the outliers), the discounts of the Subscription Price was (i) within the range of the Subscription Comparables from discount of approximately 19.97% to premium of approximately 26.60% and is close to the average of the Subscription Comparables of a discount of approximately 9.79% as compared with their respective closing prices on the date of their respective agreement; (ii) within the range of the Subscription Comparables from discount of approximately 19.96% to premium of approximately 20.48% and is close to the average of the Subscription Comparables of a discount of approximately 7.54% as compared with their respective average closing price for the last five trading days prior to the date of their respective agreement; and (iii) within the range of the Subscription Comparables from discount of approximately 24.78% to premium of approximately 15.07% and is close to the average of the Subscription Comparables of a discount of approximately 8.29% as compared with their respective average closing price for the last ten trading days prior to the date of their respective agreement.

Having considered (i) the Subscription Price is the same as the Placing Price the Placing Agent offered in the market to the independent Placee(s); (ii) the Subscription represents a valuable opportunity for the Company to raise fund to strengthen its capital base and financial position; (iii) the Subscription Price represented a premium of approximately 29.82% over the Average Closing Price; (iv) given the low liquidity of the Shares during most of the Review Period, it is reasonable to offer discount to the Subscribers for the

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Subscription so as to promote the attractiveness of the Subscription Price; and (v) the discounts of the Subscription Price to the closing price of the Shares on the date of the Subscription Agreement and the discount of the Subscription Price to the average closing prices of the Shares for the last five and ten trading days immediately prior to the date of the Subscription Agreement fall within the market ranges respectively, we are of the view that Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

5. Possible dilution of the shareholding of the Company

On 13 December 2021, 72,280,000 new Shares were placed in accordance with the terms and conditions of the Placing Agreement and accordingly, as at the Latest Practicable Date, the total issued share capital of the Company is 1,387,475,615 Shares.

As illustrated in the Board Letter under the section headed “Effect of the Subscription on the shareholding structure of the Company”, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 58.66%. The Subscription Shares to be subscribed by the Subscribers represent approximately 2.37% of the total number of issued Shares as at the Latest Practicable Date, and approximately 2.31% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no other changes in the issued share capital of the Company from the Latest Practicable Date to the completion of the Subscription save for the issue of the Subscription Shares). On such basis, the shareholding of the existing public Shareholders will be diluted from approximately 58.66% to approximately 57.30% upon the completion of the Subscription. Furthermore, based on the Subscription Price, the Subscription will have a theoretical dilution effect (as defined in Rule 7.27B of the Listing Rules) of approximately 0.691%.

Having taken into account that (i) the terms of the Subscription Agreements being fair and reasonable so far as the Independent Shareholders are concerned; (ii) the reasons for and benefits of the Subscription; and (iii) the Subscription is expected to have an overall positive impact on the Group’s financial position, we are of the opinion that the potential dilution of the Independent Shareholders as a result of the Subscription after the Placing is acceptable.

6. Possible financial effects

Net asset value

With reference to the Company's interim report, the unaudited consolidated net assets value of the Group was approximately RMB3,393.7 million as at 30 June 2021. Upon completion of the Subscription, it is expected that the net assets of the Group will increase by the estimated net proceeds of approximately HK\$194.50 million.

Cash flow

With reference to the Company's interim report, the cash and cash equivalents of the Company as at 30 June 2021 amounted to approximately RMB386.8 million. Upon completion of the Subscription, the Group's cash and cash equivalents would increase by the amount of estimated net proceeds received of approximately HK\$194.50 million.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon completion of the Subscription. Based on the above analysis, the Subscription would have positive impact on the Group's net asset value and cashflow. On such basis, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that, despite the Subscription is not conducted in the ordinary and usual course of business of the Company, such terms are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in respect of the Subscription Agreements and the respective transactions contemplated thereunder and the Specific Mandate.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 25 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes the particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in Shares and underlying Shares

Name of Directors	Capacity/nature of interest	Number of Shares held ⁽⁶⁾	Approximate percentage of interest in the Company ⁽¹⁾⁽⁵⁾
Mr. Chen Xiangyu ("Mr. Chen") ⁽²⁾	Interest of controlled corporation	243,560,830 (L)	17.55%
	Beneficial owner	3,682,400 (L)	0.27%
Mr. Guan Song ("Mr. Guan") ⁽³⁾	Interest of controlled corporation	47,337,220 (L)	3.41%
Mr. Jeffrey Lyndon Ko ("Mr. Ko") ⁽⁴⁾	Interest of controlled corporation	13,965,000 (L)	1.01%

Notes:

- (1) The percentages are calculated on the basis of 1,387,475,615 Shares in issue as at the Latest Practicable Date.

- (2) Brilliant Seed is wholly-owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed.
- (3) Bubble Sky Limited is wholly-owned by Mr. Guan, who is therefore deemed to be interested in the Shares held by Bubble Sky Limited.
- (4) Shipshape Holdings Limited is wholly-owned by Mr. Ko, who is therefore deemed to be interested in the Shares held by Shipshape Holdings Limited.
- (5) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (6) The letter “L” denotes the person’s long position in such Shares.

(ii) Interest in associated corporations

Name of Directors	Name of associated corporation	Capacity/nature of interest	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation
Mr. Chen	Shenzhen Mengyu Technology Co., Ltd. (深圳市夢域科技有限公司)	Beneficial owner	500,000	5.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number of Shares held ⁽⁶⁾⁽⁷⁾	Approximate percentage of interest in the Company ⁽¹⁾⁽⁵⁾
Brilliant Seed ⁽²⁾	Beneficial owner	243,560,830 (L)	17.55%
Mr. Chen ⁽²⁾	Interest of controlled corporation	243,560,830 (L)	17.55%
	Beneficial owner	3,682,400 (L)	0.27%
Tencent Mobility ⁽³⁾	Beneficial owner	235,999,300 (L)	17.01%
Tencent ⁽³⁾	Interest of controlled corporation	235,999,300 (L)	17.01%
Bank of America Corporation	Interest of controlled corporation	217,448,332 (L) 217,247,843 (S)	15.67% 15.66%
iDreamSky Technology Limited ⁽⁴⁾	Beneficial owner	107,289,905 (L)	7.73%
Dream Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	107,289,905 (L)	7.73%
Dream Technology Holdings Limited ⁽⁴⁾	Interest of controlled corporation	107,289,905 (L)	7.73%
JPMorgan Chase & Co.	Interest of controlled corporation	71,323,413 (L) 46,436,396 (S) 189,125 (P)	5.14% 3.34% 0.01%

Notes:

- (1) The percentages are calculated on the basis of 1,387,475,615 Shares of the Company in issue as at the Latest Practicable Date.
- (2) Brilliant Seed is wholly owned by Mr. Chen. Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed. As at the Latest Practicable Date, Brilliant Seed actually held 256,702,722 Shares, which was approximately 18.50% of interest in the Company.

- (3) Tencent Mobility is a wholly owned subsidiary of Tencent. Under the SFO, Tencent is deemed to be interested in the Shares held by Tencent Mobility.
- (4) iDreamSky Technology Limited is wholly owned by Dream Investment Holdings Limited, which is an exempted company incorporated with limited liabilities in the Cayman Islands and is in turn wholly owned by Dream Technology Holdings Limited. None of the shareholders of Dream Technology Holdings Limited hold one-third or more of the shareholding of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.
- (5) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.
- (6) The letter “L” denotes the person’s long position in such Shares.
- (7) The letter “S” denotes the person’s short position in such Shares.
- (8) The letter “P” denotes the person’s lending pool in such Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

4. DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OF CONTRACTS OF SIGNIFICANCE

There was no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the businesses of the Group.

Save as disclosed herein, none of the Directors, directly or indirectly, has had any interest in any assets which had since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. RIGHTS AND INTEREST OF DIRECTORS ON COMPETING BUSINESSES

The executive Director, Mr. Chen Xiangyu, is the founder and the largest Shareholder of the Company holding approximately 17.82% interest in the total issued share capital of the Company as at the Latest Practicable Date. Mr. Chen has held interests as a limited partner in certain venture capital funds and/or angel investment funds which may from time to time invest in technology companies, and his economic interest in such funds was insignificant.

The non-executive Directors, Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu hold directorship in certain companies principally or partially engaged in development and/or distribution of online and/or mobile games. On the basis that the above-mentioned Directors are not involved in the daily management and operation of our Company and such companies, the directorship held by the above-mentioned Directors would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete, directly or indirectly, with the Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Company have been made up) and up to the Latest Practicable Date.

8. QUALIFICATION AND CONSENT OF EXPERT

Veda Capital is a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO. Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Veda Capital:

- (a) neither had any shareholding in any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS ON DISPLAY

The following documents will be display on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.idreamsky.com from the date of this circular up to the date of the EGM be convened:

- (i) the Subscription Agreements;
- (ii) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (iv) the letter of consent from Veda Capital referred to in the section headed “General Information — Qualification and Consent of Expert” in this circular; and
- (v) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of iDreamSky Technology Holdings Limited (the “Company”) will be held at Earth Room, 16/F, Unit 3, Block A, Kexing Science Park, Nanshan District, Shenzhen, China on Wednesday, 16 February 2022 at 10:30 a.m. for the following purposes.

ORDINARY RESOLUTIONS

1. The Brilliant Seed Subscription Agreement

To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

“**THAT:**

- (A) the subscription agreement (the “**Brilliant Seed Subscription Agreement**”) dated 28 November 2021 entered into between the Company, Mr. Chen Xiangyu and Brilliant Seed Limited (“**Brilliant Seed**”) (a copy of which has been produced to the EGM marked “A” and initialled by the chairman of the EGM for the purpose of identification) in relation to the subscription of 13,141,892 new shares of US\$0.0001 each (the “**Shares**”) in the capital of the Company (the “**Brilliant Seed Subscription Shares**”) by Brilliant Seed at the subscription price of HK\$5.92 per Brilliant Seed Subscription Share and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal with in, the Brilliant Seed Subscription Shares, the directors of the Company (the

NOTICE OF EXTRAORDINARY GENERAL MEETING

“**Directors**”) or the Company Secretary be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Brilliant Seed Subscription Shares in accordance with the terms and conditions of the Brilliant Seed Subscription Agreement; and

- (C) any one of the executive Directors (except for Mr. Chen Xiangyu) or the Company Secretary be and is authorized for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Brilliant Seed Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Brilliant Seed Subscription Shares.”

2. The Tencent Subscription Agreement

To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

“**THAT:**

- (A) the subscription agreement (the “**Tencent Subscription Agreement**”) dated 28 November 2021 entered into between the Company and Tencent Mobility Limited (“**Tencent Mobility**”) (a copy of which has been produced to the EGM marked “B” and initialled by the chairman of the EGM for the purpose of identification) in relation to the subscription of 13,141,892 new Shares in the capital of the Company (the “**Tencent Subscription Shares**”) by Tencent Mobility at the subscription price of HK\$5.92 per Tencent Subscription Share and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal with in, the Tencent Subscription Shares, the Directors or the Company Secretary be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Tencent Subscription Shares in accordance with the terms and conditions of the Tencent Subscription Agreement; and
- (C) any one of the executive Directors or the Company Secretary be and is authorized for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Tencent Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Tencent Subscription Shares.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. The Instant Sparkle Subscription Agreement

To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

“**THAT:**

- (A) the subscription agreement (the “**Instant Sparkle Subscription Agreement**”) dated 28 November 2021 entered into between the Company and Instant Sparkle Limited (“**Instant Sparkle**”) (a copy of which has been produced to the EGM marked “C” and initialled by the chairman of the EGM for the purpose of identification) in relation to the subscription of 6,570,946 new Shares in the capital of the Company (the “**Instant Sparkle Subscription Shares**”) by Instant Sparkle at the subscription price of HK\$5.92 per Instant Sparkle Subscription Share and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal with in, the Instant Sparkle Subscription Shares, the Directors or the Company Secretary be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Instant Sparkle Subscription Shares in accordance with the terms and conditions of the Instant Sparkle Subscription Agreement; and
- (C) any one of the executive Directors or the Company Secretary be and is authorized for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Instant Sparkle Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Instant Sparkle Subscription Shares.”

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

Shenzhen, PRC, 20 January 2022

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the office of the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
3. To ascertain the shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 11 February 2022, to Wednesday, 16 February 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 February 2022.
4. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
5. As at the date of this notice, the Board of Directors 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.