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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 to 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)

**PROPOSALS FOR
RE-ELECTION OF DIRECTORS,
RE-APPOINTMENT OF AUDITOR,
GRANT OF GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES AND
REVISION OF 2019 AND 2020 ANNUAL CAPS
FOR THE GAME COOPERATION FRAMEWORK AGREEMENT
AND
NOTICE OF ANNUAL GENERAL MEETING**

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



SOMERLEY CAPITAL LIMITED

A notice convening the annual general meeting (the “AGM”) of iDreamSky Technology Holdings Limited (the “Company”) to be held at Ballroom, Level 5, Island Shangri-la Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, May 31, 2019 at 10:00 a.m. is set out on pages 58 to 64 of this circular. A form of proxy for use at the AGM is also enclosed. 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.

If you do not intend or are unable to attend the AGM and wish to appoint a proxy/proxies to attend and vote on your behalf, you are requested to complete the form of proxy in accordance with the instructions printed thereon 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 as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting should you so wish.

April 29, 2019

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	
1. Introduction	6
2. Proposed Re-election of Directors.	7
3. Proposed Re-appointment of Auditor.	8
4. Proposed Grant of the Issue Mandate, Repurchase Mandate and Extension Mandate.	8
5. Revision of 2019 and 2020 Annual Caps for the Game Cooperation Framework Agreement	10
6. Annual General Meeting.	19
7. Actions to be Taken	19
8. Closure of the Register of Members	20
9. Voting by Way of Poll	20
10. Recommendation	20
Letter from the Independent Board Committee	22
Letter from the Independent Financial Adviser	24
Appendix I — Details of Directors Proposed for Re-election	38
Appendix II — Explanatory Statement	48
Appendix III — General Information	52
Notice of Annual General Meeting	58

DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held at Ballroom, Level 5, Island Shangri-la Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, May 31, 2019 at 10:00 a.m., or any adjournment thereof, and the notice of which is set out on pages 58 to 64 of this circular
“AGM Notice”	the notice convening the AGM as set out on pages 58 to 64 of this circular
“Articles of Association”	the amended and restated articles of association of the Company adopted on November 20, 2018 and effective on December 6, 2018, as amended or supplemented from time to time
“Board”	the board of directors of the Company
“CAGR”	compound annual growth rate
“Companies Law”	the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company”	iDreamSky Technology Holdings Limited (创梦天地科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange under stock code 01119
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Annual Cap(s)”	the original annual caps for the distribution fees payable by the Group to Tencent Group under the Game Cooperation Framework Agreement for the years ended/ending December 31, 2018, 2019 and 2020 as disclosed in the Prospectus

DEFINITIONS

“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the AGM to extend the Issue Mandate by an amount representing the aggregate amount of Shares repurchased under the Repurchase Mandate
“Game Cooperation Framework Agreement”	the game cooperation framework agreement dated November 21, 2018 entered into between the Company and Tencent Computer
“Game Distribution by Tencent Group”	the distribution of the Group’s games (or the games licensed to the Group by third parties) by Tencent Group under the Game Cooperation Framework Agreement
“Group”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining, being all the independent non-executive Directors, established for the purposes of, among other things, advising the Independent Shareholders in respect of the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps)
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps)
“Independent Shareholder(s)”	the Shareholders, other than Tencent and Tencent Mobility

DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the AGM to exercise the power of the Company to allot, issue and/or deal with Shares of not exceeding 20% of the aggregate number of issued Shares as at the date of passing of the relevant resolution granting the Issue Mandate
“Latest Practicable Date”	April 23, 2019, 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 Date”	December 6, 2018, being the date on which the Shares became listed and from which dealings therein commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MOC”	the Ministry of Culture of the PRC (中華人民共和國文化部), which is reformed and known as the Ministry of Culture and Tourism (中華人民共和國文化和旅游部) since March 2018
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“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
“Prospectus”	the prospectus of the Company dated November 26, 2018
“Repurchase Mandate”	a general and unconditional mandate to be granted to the Director at the AGM to exercise the powers of the Company to repurchase Shares of not exceeding 10% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution granting the Repurchase Mandate

DEFINITIONS

“Revised Annual Caps”	the proposed revised annual caps for the distribution fees payable by the Group to Tencent Group for the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement for the years ending December 31, 2019 and 2020, subject to approval by the Independent Shareholders at the AGM
“SAPPRFT”	the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局), formerly known as the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) and the State Administration of Radio, Film and Television of the PRC (中華人民共和國國家廣播電影電視總局), which is reformed and known as the State Administration of Radio and Television of the PRC (中華人民共和國國家廣播電視總局) under the State Council and the National Administration of Press and Publication (National Administration of Press and Publication (National Copyright Bureau) (中華人民共和國國家新聞出版署(國家版權局)) under the Propaganda Department of the Central Committee of the Communist Party of China (中共中央宣傳部) since March 2018
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	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
“Shenzhen iDreamSky”	Shenzhen iDreamSky Technology Co., Ltd. (深圳市創夢天地科技有限公司), a company established in the PRC with limited liability, and a PRC consolidated affiliated entity of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong
“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 as at the Latest Practicable Date
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC with limited liability, and a consolidated affiliated entity of Tencent
“Tencent Group”	Tencent and its subsidiaries from time to time
“Tencent Mobility”	Tencent Mobility Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Tencent, and a substantial shareholder of the Company as at the Latest Practicable Date
“%”	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.



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
Mr. Lei Junwen

Non-executive Directors:

Mr. Ma Xiaoyi
Mr. Du Feng

Independent Non-executive Directors:

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining

Registered Office:

The offices of Maples Corporate
Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head office in the PRC:

A3-16
Kexing Science Park
Nanshan District
Shenzhen
PRC

April 29, 2019

To the Shareholders

Dear Sirs

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
RE-APPOINTMENT OF AUDITOR,
GRANT OF GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES AND
REVISION OF 2019 AND 2020 ANNUAL CAPS
FOR THE GAME COOPERATION FRAMEWORK AGREEMENT
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to give you notice of the AGM and the information relating to the proposals for (i) the re-election of Directors; (ii) the re-appointment of the auditor of the Company; (iii) the grant of the Issue Mandate, the Repurchase Mandate and the Extension

LETTER FROM THE BOARD

Mandate; and (iv) further details of the revision of 2019 and 2020 annual caps for the transactions contemplated under the Game Cooperation Framework Agreement, including a letter of recommendation 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 Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps).

2. PROPOSED RE-ELECTION OF DIRECTORS

Pursuant to the Article 16.2 of the Articles of Association, Mr. Chen Xiangyu, Mr. Guan Song, Mr. Lei Junwen, Mr. Ma Xiaoyi, Mr. Du Feng, Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining shall hold office only until the AGM and shall then be eligible and offer themselves for re-election.

Pursuant to the Article 16.19 of the Articles of Association, Mr. Jeffrey Lyndon Ko will retire by rotation at the AGM. The retiring Director, being eligible, offer himself for re-election.

The Board has duly considered the composition of the members of the Board. In order to better achieve the objectives of the Board diversity policy, the Board has decided to propose the re-election of Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining as the independent non-executive Directors of the Company at the AGM. The Board has confirmed, each of Ms. Yu, Mr. Li and Mr. Zhang does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders, and does not hold any interests of the Company in any form. Accordingly, the Board has reasonable belief that they are independent.

None of Ms. Yu, Mr. Li and Mr. Zhang act as directors of seven or more listed companies. The Board believes that they can commit sufficient time to assume their director's duties.

The proposed candidates proposed to be re-elected at the AGM to be independent non-executive Directors, namely Ms. Yu, Mr. Li and Mr. Zhang, possess rich experience in their industries and are able to provide valuable professional advices in areas of finance, legal, business to the Company, thus contributing to better corporate governance of the Company. In addition, the proposed independent non-executive Directors represent different groups of gender, age, education and industry, the Board believe that they will bring diverse perspectives to the Board.

LETTER FROM THE BOARD

The Company has adopted, and has complied with, a nomination policy for directorship. The Board has considered the qualifications, skills, knowledge, ability and experience of the Directors subject to the proposed re-election at the AGM, namely, Mr. Jeffrey Lyndon Ko, Mr. Chen Xiangyu, Mr. Guan Song, Mr. Lei Junwen, Mr. Ma Xiaoyi, Mr. Du Feng, Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining and their time commitment and attention to perform their Directors' duties, as well as the current structure and composition of the Board. The Board is of the view that these Directors have different cultural, educational and professional background and have abundant experiences in their respective areas of expertise. The Board also believes that these Directors have brought, and will continue to bring, their respective valuable experiences, skills and perspectives to the Board with a view of contributing to the diversity of the Board.

In compliance with the requirements of code provision E.1.1 of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, a separate resolution will be proposed at the AGM for the re-election of each individual director whether such Director is an executive Director, non-executive Director or independent non-executive Director.

Brief biographical details of the Directors who are proposed to be re-elected at the AGM are set out in Appendix I to this circular.

3. PROPOSED RE-APPOINTMENT OF AUDITOR

The Board proposes to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending December 31, 2019 and hold the office until the conclusion of the next annual general meeting of the Company. A resolution will also be proposed to authorize the Board to fix the auditor's remuneration for the ensuing year. PricewaterhouseCoopers have indicated their willingness to be re-appointed as auditor of the Company for the said period.

4. PROPOSED GRANT OF THE ISSUE MANDATE, REPURCHASE MANDATE AND EXTENSION MANDATE

To ensure flexibility and give discretion to the Directors in the event that it becomes desirable for the Company to issue any new Shares, approval is to be sought from the Shareholders, pursuant to the Listing Rules, for the Issue Mandate to issue Shares. At the Annual General Meeting, an ordinary resolution will be proposed to give the Directors the Issue Mandate to exercise the power of the Company to allot, issue and/or deal with Shares of not exceeding 20% of the aggregate number of issued Shares as at the date of passing of the relevant resolution granting the Issue Mandate.

LETTER FROM THE BOARD

As at the Latest Practicable Date, a total of 1,269,718,990 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company after the Latest Practicable Date and prior to the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue a maximum of 253,943,798 Shares.

At the Annual General Meeting, an ordinary resolution will also be proposed to give the Directors the Repurchase Mandate to exercise the powers of the Company to repurchase in the open market Shares of not exceeding 10% of the aggregate number of the issued Shares as at the date of passing of the relevant resolution granting the Repurchase Mandate. As at the Latest Practicable Date, the Directors have no present intention to repurchase any Shares in the open market (i.e. on the Stock Exchange or another stock exchange recognised for this purpose by the Stock Exchange) and would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. Pursuant to the Listing Rules, the Company is required to give the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote in favour of or against the resolution in respect of the proposed Repurchase Mandate at the Annual General Meeting. An explanatory statement for such purpose is set out in Appendix II to this circular.

In addition, an ordinary resolution regarding the Extension Mandate will be proposed at the Annual General Meeting providing that any Shares repurchased under the Repurchase Mandate (up to a maximum of 10% of the issued Shares as at the date of the grant of the Repurchase Mandate) will be added to the total number of Shares which may be allotted and issued under the Issue Mandate.

The Issue Mandate and the Repurchase Mandate would expire on the earlier of: (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of Company is required by the Companies Law or any applicable laws or the Articles of Association to be held; or (c) the revocation or variation by ordinary resolution(s) by the Shareholders in a general meeting prior to the next annual general meeting of the Company.

LETTER FROM THE BOARD

5. REVISION OF 2019 AND 2020 ANNUAL CAPS FOR THE GAME COOPERATION FRAMEWORK AGREEMENT

Reference is made to the Prospectus and the announcement of the Company dated March 28, 2019 (the “**Announcement**”) in relation to, among other things, the Game Cooperation Framework Agreement. As disclosed in the Announcement, the Board has proposed to revise the Existing Annual Caps for the distribution fee payable by the Group to Tencent Group under the Game Cooperation Framework Agreement.

Principal Terms of the Game Cooperation Framework Agreement

On November 21, 2018, Shenzhen iDreamSky entered into the Game Cooperation Framework Agreement, pursuant to which the Group and Tencent Computer agreed to (i) license games of the Group and/or games licensed to the Group by third parties, and engage Tencent Group for distribution or publishing of such games; (ii) license the games of Tencent Group for distribution and operation on the Group’s platforms; and (iii) cooperate on other gaming-related matters, including but not limited to (a) engagement by Tencent Group of the Group to develop customized games, (b) the license by Tencent Group of its intellectual properties to the Group for development of games, and (c) joint development of games by the Group and Tencent Group.

The distribution fees and/or licensing fees payable by the Group or Tencent Group (as the case may be) for the transactions contemplated under the Game Cooperation Framework Agreement shall be calculated on any of the following bases: (i) fixed amount of distribution fees and/or licensing fees; (ii) revenue/profit sharing between the parties; (iii) prepaid revenue/profit sharing between the parties; and/or (iv) product bonus. In respect of the Game Distribution by Tencent Group, the distribution fees payable by the Group to Tencent Group are calculated primarily based on the revenue/profit sharing between the parties, and the other pricing bases under the Game Cooperation Framework Agreement are not applicable to the Game Distribution by Tencent Group.

The fee payable and/or revenue to be shared by the Group to Tencent Group and the fee payable and/or revenue to be shared by Tencent Group to the Group shall be determined after arm’s length negotiation between the parties with reference to the prevailing market price and consideration of various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games.

The term of the Game Cooperation Framework Agreement commenced from December 6, 2018 (i.e. the Listing Date) and will expire on December 31, 2020.

LETTER FROM THE BOARD

Exceeding the 2018 Annual Cap

As disclosed in the Announcement, in the course of finalizing the annual results of the Group for the year ended December 31, 2018, the Board became aware that the actual distribution fee paid by the Group to Tencent Group for the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement for the year ended December 31, 2018 amounted to RMB23,189,000 (the “**2018 Actual Distribution Fee**”), which exceeded the Existing Annual Cap for 2018 (i.e. RMB20,000,000) by RMB3,189,000.

As disclosed in the Prospectus, the proposed annual caps for the distribution fee payable by the Group to Tencent Group (i.e. where the Group shall engage Tencent Group for distribution of the Group’s games) under the Game Cooperation Framework Agreement were determined after arm’s length discussion with reference to the historical transaction amount for the six months ended June 30, 2018, with subsequent annual growth rate of approximately 20% for the two years ending December 31, 2020, which was determined with reference to the year-on-year increase of approximately 19% of the revenue of the Company for the year ended December 31, 2017. The growth rate was determined by the Directors based on the assumed growth in the Company’s business, the operational capacity of the Group and the estimated revenue that may be generated from the games with reference to the historical transaction amount from 2015 to 2017.

For the avoidance of doubt, save as disclosed above, the proposed annual caps for other types of transactions contemplated under the Game Cooperation Framework Agreement for the year ended December 31, 2018 as disclosed in the Prospectus had not been exceeded.

During the second half of 2018, the Group published a number of new popular games, whilst Tencent Group offered to its customers (including the Group) discount to the distribution fee for distribution of games of its platforms in around October 2018. With a view of enhancing the popularity of these new games and leveraging on the discounts offered by Tencent Group, the relevant business operation department of the Company decided that it would be beneficial to the Group to further strengthen its efforts in distributing and promoting these games on Tencent Group’s platforms. Such enhanced distribution efforts were in line with the Group’s promotional strategy and consistent with the growth of the Group’s game revenue in 2018. The distribution fees paid by the Group to Tencent Group for the distribution of games for the six months ended June 30, 2018 was approximately RMB9.238 million, representing approximately 0.97% of the Group’s game revenue for the same period; whereas the 2018 Actual Distribution Fee represented approximately 1.11% of the Group’s game revenue for the year ended December 31, 2018. As the decision to strengthen the distribution efforts was made prior to the Listing (i.e. before the Game Cooperation Framework Agreement took effect), the relevant business operation department inadvertently omitted to seek prior advice from the Company’s finance and legal departments with respect to the potential impact on the Existing Annual Cap for 2018. As a result of the foregoing,

LETTER FROM THE BOARD

the distribution fees paid by the Group to Tencent Group for distribution of games under the Game Cooperation Framework Agreement significantly increased in around the fourth quarter of 2018. The Board would like to emphasize that the Existing Annual Caps were fair and reasonable at the time when they were determined. As disclosed in the Prospectus, when determining the Existing Annual Caps, the Board has taken into account the historical distribution fees paid by the Group to Tencent Group for the six months ended June 30, 2018, with an assumed annual growth rate of approximately 20% for the two years ending December 31, 2020, which was determined with reference to the year-on-year increase of approximately 19% for the year ended December 31, 2017, the operational capacity of the Group and the estimated revenue that may be generated from the games with reference to the historical transaction amount during the three years ended December 31, 2017. In particular, the Board has considered the regulatory environment in the PRC online game publishing market at the relevant time. As disclosed in the Prospectus, there had been a suspension of pre-approval of domestic online games in the PRC in 2018, where there had been no new pre-approval for publication granted by the SAPPRFT at the national level to domestic or imported online game publishers in the PRC since April 2018 and there had only been certain new pre-approval for imported games or post-filing recording for domestic games granted by the MOC at the national level since April 2018. Having considered the foregoing, the Board is of the view that the Company has complied with the requirement under Rule 2.13 of the Listing Rules in respect of the Existing Annual Cap as disclosed in the Prospectus.

As disclosed above, the distribution fees payable by the Group to Tencent Group for the Game Distribution by Tencent Group are calculated primarily based on the revenue/profit sharing between the parties. Each of the Group and Tencent Group has implemented its own financial control system to regularly keep track of the revenue from distribution of the Group's games and games licensed to the Group by third parties through Tencent Group's platforms and to generate reports with breakdown of transaction amount by game and payment channel on a monthly basis. Through such checking and reporting system, each of the Group and Tencent Group is able to monitor the total revenue generated from the Game Distribution by Tencent Group and the relevant distribution fees payable by the Group to Tencent Group. The actual distribution fee payable by the Group will be finally determined by Tencent Group after it has confirmed the amount of revenue or profit (which may be affected by the recoverability of the fees from game users and/or refunds made to the game users), upon which the Company would settle the amount after Tencent Group's confirmation. In the past, Tencent Group usually took around two months to make such confirmation, and therefore this oversight was not discovered until after the close of the financial year when the Company was in the process of finalizing its annual results ended December 31, 2018 and carrying out the annual review of its continuing connected transactions for such period.

LETTER FROM THE BOARD

Revision of the 2019 and 2020 Annual Caps

As disclosed in the Announcement, in view of the incident that the actual distribution fee paid by the Group to Tencent Group for the transactions under the Game Cooperation Framework Agreement for the year ended December 31, 2018 has exceeded the Existing Annual Cap for 2018 set by the Company, and taking into account the factors as further elaborated below, the Board has proposed to revise the annual caps of the distribution fee payable by the Group to Tencent Group for the years ending December 31, 2019 and 2020 for the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement.

Historical Amounts

The aggregate amounts of the distribution fees paid by our Group to Tencent Group where the Group engaged Tencent Group for distribution of its games for the years ended December 31, 2016, 2017 and 2018 are set out as follows:

	For the year ended December 31,		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Distribution fees paid by the Group to Tencent Group (i.e. where the Group shall engage Tencent Group for distribution of the Group's games)	19,547	17,196	23,189

LETTER FROM THE BOARD

Existing Annual Caps and Revised Annual Caps

The Existing Annual Caps for the distribution fees payable by our Group to Tencent Group where the Group engaged Tencent Group for the Game Distribution by Tencent Group for the years ended/ending December 31, 2018, 2019 and 2020 and the Revised Annual Caps for the years ending December 31, 2019 and 2020 are set out as follows:

	Existing Annual Caps for the years ended/ending December 31,			Revised Annual Caps for the years ending December 31,	
	2018	2019	2020	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Distribution fees payable by the Group to Tencent Group (i.e. where the Group shall engage Tencent Group for distribution of the Group's games)	20,000	24,000	28,800	30,000	39,000

The proposed Revised Annual Caps were determined between the Group and Tencent Group after arm's length negotiation, taking into account (i) the increase in the historical transaction amount for the year ended December 31, 2018; (ii) the new business opportunity for extending the Group's engagement of Tencent Group to distribute its games; (iii) the year-on-year increase of approximately 34.1% of the game revenue of the Company for the year ended December 31, 2018; (iv) the number and life cycle of games distributed by Tencent Group for the Group in 2018 and the new games in the pipeline to be distributed on Tencent Group's platforms in 2019 and 2020 as well as timing of publishing and promotional plan for such new games; (v) the estimated growth of the size of the PRC independent mobile publishing market at a CAGR of approximately 37.5% from 2017 to 2020 according to the Frost & Sullivan report contained in the Prospectus; and (vi) the overall expected growth and development of the Group's game publication business and estimated revenue that may be generated from distribution of the Group's games and other games licensed to the Group by third parties through Tencent Group's platforms with reference to the historical transaction amounts. In respect of the number of games distributed on Tencent Group's platforms, Tencent Group distributed over ten games, including *Gardenscapes* (夢幻花園) and *Subway Surfers* (地鐵跑酷), for the Group in 2018. In addition to these games, leveraging on the extensive reach of Tencent Group's platforms, the Group plans to launch around ten new games on Tencent Group's platforms in each of 2019 and 2020, subject to obtaining the pre-approval for

LETTER FROM THE BOARD

publication of the new games and further commercial negotiation with Tencent Group on the distribution arrangement. As mentioned in the paragraph headed “— Exceeding the 2018 Annual Cap” above, the assumed annual growth rate for the Existing Annual Caps for the two years ending December 31, 2020 was approximately 20% as disclosed in the Prospectus taking into consideration that there had been a suspension of pre-approval of domestic online games in the PRC in 2018. The Board, however, noted that the regulatory environment in the PRC online game publishing market has recently changed. Since January 2019 and as of the Latest Practicable Date, the Group has obtained pre-approval from the SAPPRFT for the publishing and commercial launch of nine of its games. Therefore, taking into account such change in regulatory environment as well as factors mentioned above, the assumed annual growth rate for the Revised Annual Caps for the two years ending December 31, 2020 is approximately 30%.

Whilst such assumed annual growth rate of 30% for the projection of the Revised Annual Caps is slightly lower than the Group’s historical game revenue growth rate of approximately 34.1% in 2018 and the estimated industry growth at a CAGR of 37.5% from 2017 to 2020, the Board considers that the setting of the Revised Annual Caps should not only take into account the quantitative analysis but also other factors mentioned above as a whole, and some factors may not be within the control of the Group, such as the regulatory and pre-approval requirements that may impact the actual number of games to be published on Tencent Group’s platforms and the timing of publishing. The rapidly evolving PRC regulatory environment in the mobile gaming industry and the Group’s ability to timely obtain pre-approval for publication of its online games from the regulatory authorities affect its ability to publish and launch new games in the future. Having considered the foregoing, the Board is of the view that the assumed growth rate of 30% for the projection of the Revised Annual Caps represents a reasonable estimation of the trend of distribution fees payable by the Group to Tencent Group for the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement.

Save for the Revised Annual Caps, the other terms of the Game Cooperation Framework Agreement remain unchanged.

Reasons for and Benefits of the Transactions

In respect of the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement, the Group take primary responsibilities of game operation, including determining the payment channels and providing customer services, service specifications and pricing, while Tencent Group provides access to the Group’s games and games licensed to the Group by third parties to the users through its distribution platforms. The actual revenue/profit sharing ratio for the distribution fees paid by the Group to Tencent Group under the Game Cooperation Framework Agreement in the past primarily ranged from 40% to 60% (being the portion shared to Tencent Group), and the Company expects that the revenue/profit sharing ratio

LETTER FROM THE BOARD

for the distribution fees payable by the Group to Tencent Group under the Game Cooperation Framework Agreement in 2019 and 2020 will remain within the approximately the same range. To ensure that the revenue/profit sharing ratio for the distribution fees payable by the Group to Tencent Group is fair and reasonable and on normal commercial terms, to the extent commercially practicable, the Company will seek to solicit cooperation with at least two other independent third parties and compare the commercial terms offered by those parties with those offered by Tencent Group. The Company considers that the overall trend of the revenue/profit sharing ratio in the mobile game publishing industry in the PRC is fairly standard and transparent, and the above mentioned revenue/profit sharing ratio for the distribution fees paid/payable by the Group to Tencent Group under the Game Cooperation Framework Agreement is fair and reasonable and on normal commercial terms.

Furthermore, Tencent Group owns a large amount of top-rated game products and game platforms, and the Group has been dedicated to the production, publishing and operation of popular games. It is expected that Tencent Group and the Group could leverage on each other's competitive advantages in products and platforms to improve the popularity of games owned by each other and increase the number of platform users and leverage on each other's game development capabilities. In addition, as a one-stop game publishing solution to game developers, the Group is able to leverage on the Game Cooperation Framework Agreement and distribute its own games and the games licensed to the Group from global game developers through its cooperation with Tencent.

Enhanced Internal Control Measures

The Company has adopted and implemented a management system on connected transactions, and the Board and various internal departments of the Company are responsible for the control and daily management in respect of the continuing connected transactions. In view of the above and to ensure the Company's compliance with the applicable Listing Rules requirements going forward, the Company will take the following internal control measures in respect of its continuing connected transactions:

- (a) the Board and various internal departments of the Company (including finance, legal and compliance, business operation, and internal audit departments) will be jointly responsible for evaluating the terms under the underlying agreements for the continuing connected transactions, in particular, the fairness and reasonableness of the pricing policies and proposed annual caps under each transaction;
- (b) all members of the Group are required to report to, and the finance department of the Company will closely monitor, the actual transaction amounts relating to its continuing connected transactions on a monthly basis. If the actual transaction amount is reasonably

LETTER FROM THE BOARD

expected to reach 85% of the proposed annual caps of the relevant continuing connected transactions at any time, the matter shall promptly be escalated to the chief financial officer, who will seek advice from the audit committee of the Company and the Board for appropriate measures, including but not limited to revising the relevant proposed annual caps in accordance with the requirements of the Listing Rules, if necessary. The Company considers that the above-mentioned 85% threshold is a reasonable and effective threshold as it will allow sufficient time for the Company to promptly take appropriate measures before the actual transaction amount exceeds the proposed annual cap, such as by reducing and/or controlling the volume of transaction and/or revising the relevant proposed annual caps in accordance with the Listing Rules.

In respect of the Game Distribution by Tencent Group, the finance department of the Company will regularly keep track of the revenue generated from the Game Distribution by Tencent Group recorded in the Company's financial control system and will generate monthly report to check the transaction amount by game and payment channel. The finance department will, as soon as practicable after each month end, cross check and confirm the relevant monthly transaction amount with Tencent Group against the amount recorded in Tencent Group's system. In the past, the deviation of the transaction amount recorded in the Group's and Tencent Group's system was generally small within a range of approximately 5% to 10%. Going forward, if the financial department becomes aware that the distribution fee paid by the Group to Tencent Group under the Game Cooperation Framework Agreement is reasonably expected to reach 85% of the Revised Annual Cap based on review of its own records on the Company's financial control system, it will promptly take the above-mentioned measures. In addition to the checking and reporting exercise, the finance department will also take note of any early sign of the actual transaction amount exceeding the proposed annual caps, such as by analysing the trend of the expected revenue to be generated from the Game Distribution by Tencent Group on a monthly basis;

- (c) prior to renewing the existing business and/or entering into a new form of business with any connected person, the relevant business operation department shall first report to the finance and legal and compliance departments, and the senior management shall assess whether the scope and relevant proposed annual caps of the existing continuing connected transactions should be amended and/or new framework agreement should be entered into for such new transactions;
- (d) the Company will arrange for regular training for its employees, including the business operation, finance, legal and compliance departments, to strengthen their familiarity of the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions;

LETTER FROM THE BOARD

- (e) the Company's internal audit team will monitor the effectiveness and adequacy of the internal control measures, and will make recommendation and report to the audit committee of the Company on a regular basis; and
- (f) the independent non-executive Directors and auditor of the Company will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted on normal commercial terms and in accordance with the pricing policy.

The Board has considered the background and reason of the incident and is of the view that the exceeding of the 2018 Distribution Fee Cap was an isolated event. The Board considers that the above enhanced internal control measures will offer overall oversight over the Company's continuing connected transactions and closer monitoring of the proposed annual caps, enhance the awareness and accountability of the various internal departments of the compliance with the relevant rules relating to Company's continuing connected transactions. In addition, despite the historical time gap in confirming the transaction amount by Tencent Group, the Board considers that its own financial control system can effectively monitor the revenue from the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement on a regular basis, and with the enhanced awareness and accountability through the above enhanced internal control measures, the finance department of the Company is currently in discussion with Tencent Group, and will target, to enhance the efficiency of payment confirmation and settlement with Tencent Group. The Board considers that the above enhanced internal control measures will be adequate and effective in monitoring the proposed annual caps of the Company's continuing connected transactions and preventing recurrence of a similar event in the future.

Information on the Parties

The Group is a digital entertainment platform with a leading position in game publishing market in China, and adopts a free-to-play model for all of its games and has also expanded service offerings to other digital entertainment areas, such as e-sports, comics and video. Shenzhen iDreamSky is a PRC Consolidated Affiliated Entity of the Company and is principally engaged in publication and operation of games through mobile apps and websites.

Tencent through its subsidiaries, principally provides value-added services and online advertising services to users mainly in the PRC. Tencent Computer is a consolidated affiliated entity of Tencent and is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC.

LETTER FROM THE BOARD

Listing Rules Implications

As at the Latest Practicable Date, Tencent is a substantial shareholder of the Company holding through Tencent Mobility (its wholly-owned subsidiary) approximately 18.59% of the total issued shares of the Company, and Tencent Computer is a consolidated affiliated entity of Tencent. Therefore, Tencent Computer is a connected person of the Company, and the Game Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the 2018 Actual Distribution Fee has exceeded the Existing Annual Cap for 2018, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Game Cooperation Framework Agreement is more than 5%, the Game Cooperation Framework Agreement and the transactions contemplated thereunder are subject to announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ma Xiaoyi, a non-executive Director, currently holds senior management role at Tencent, and has therefore abstained from voting on the relevant Board resolutions approving the Game Cooperation Framework Agreement and the transactions contemplated thereunder (including the Revised Annual Caps). Save as disclosed above, none of the other Directors has or is considered to have material interests in the transactions contemplated under the Game Cooperation Framework Agreement.

Tencent and Tencent Mobility are required to and will abstain from voting on the resolution with respect to the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps) to be proposed at the AGM.

6. ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 58 to 64 of this circular to consider the resolutions relating to, inter alia, the proposed re-election of Directors, the proposed re-appointment of the auditor and the proposed grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate.

7. ACTIONS TO BE TAKEN

A form of proxy for use at the AGM 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 AGM and wish

LETTER FROM THE BOARD

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 AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting if you so wish, and in such event the form of proxy shall be deemed to be revoked.

8. CLOSURE OF THE REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, May 28, 2019 to Friday, May 31, 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Monday, May 27, 2019.

9. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the AGM 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.

There is no Shareholder who has any material interest in the proposed resolutions regarding the proposed re-election of Directors, the proposed re-appointment of the auditor of the Company, the proposed grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate, and therefore, none of the Shareholders is required to abstain from voting on such resolutions. Tencent and Tencent Mobility are required to and will abstain from voting on the resolution with respect to the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps).

10. RECOMMENDATION

The Directors believe that the proposed re-election of Directors, the proposed re-appointment of the auditor of the Company and the proposed grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate are in the interests of the Company and the Shareholders. Accordingly, the Board recommends you to vote in favour of the relevant ordinary resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under Game Cooperation Framework Agreement were determined after arm's length negotiation and are on normal commercial terms in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the Revised Annual Caps are also fair and reasonable and 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 ordinary resolution with respect to the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps) to be proposed at the AGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps) are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution with respect to the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps for the years ending December 31, 2019 and 2020) to be proposed at the AGM.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 22 to 23 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps). Your attention is also drawn to the letter of advice from the Independent Financial Adviser as set out on pages 24 to 37 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps). You are advised to read these letters from the Independent Board Committee and the Independent Financial Adviser before deciding how to vote on the relevant ordinary resolution at the AGM.

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 the Game Distribution by Tencent Group and the Revised Annual Caps.



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)

April 29, 2019

To the Independent Shareholders

Dear Sirs or Madams,

REVISION OF 2019 AND 2020 ANNUAL CAPS FOR THE GAME COOPERATION FRAMEWORK AGREEMENT

We refer to the circular dated April 29, 2019 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 Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps) 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. Somerley 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 Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps) 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps).

Yours faithfully,
The Independent Board Committee

Ms. Yu Bin

Mr. Li Xintian

Mr. Zhang Weining

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

April 29, 2019

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

REVISION OF 2019 AND 2020 ANNUAL CAPS FOR THE GAME COOPERATION FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the Game Distribution by Tencent Group and the Revised Annual Caps. Details of the Game Distribution by Tencent Group are contained in the circular of the Company to the Shareholders dated April 29, 2019 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

As at the Latest Practicable Date, Tencent is the substantial shareholder of the Company, holding, through Tencent Mobility (its wholly-owned subsidiary), approximately 18.6% of the total issued shares of the Company, and Tencent Computer is a consolidated affiliated entity of Tencent. Therefore, the Game Distribution by Tencent Group constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Game Cooperation Framework Agreement is more than 5%, the Game Distribution by Tencent Group (including the Revised Annual Caps) are subject to the announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of Tencent's interests in the Game Distribution by Tencent Group, Tencent and Tencent Mobility are required to and will abstain from voting on the resolution with respect to the Game Distribution by Tencent Group (including the Revised Annual Caps) to be proposed at the AGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining, has been established to advise the Independent Shareholders as to whether the Game Distribution by Tencent Group (including the Revised Annual Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, there were no engagements between the Group and Somerley. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Tencent Group, or their respective substantial shareholders, subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the time of the AGM. We have reviewed, among others, the relevant information contained in (i) the Game Cooperation Framework Agreement, (ii) the Prospectus, (iii) the annual report of the Company for the year ended December 31, 2018, and (iv) the Circular. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Group, Tencent Group and their respective substantial shareholders subsidiaries and associates, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Game Distribution by Tencent Group (including the Revised Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Information on the parties

The Group

The Company was listed on the Stock Exchange on December 6, 2018, with a market capitalisation of approximately HK\$10.2 billion as at the Latest Practicable Date. The Group is principally engaged in the licensing and operating of mobile games in the PRC. It primarily publishes and operates third-party licensed games and self-developed games spanning a number of gaming genres (including role-playing games, endless running games and matching puzzle games) and attract a demographically diverse player community. The Group's self-operated game publishing channels allow the users to obtain information on the Group's releases and download the Group's games, and the users may share their game playing experience on specific games. In addition to the proprietary distribution channels, the Group also distributed its mobile games through third-party distribution channel partners, including Tencent Group and a diversified range of application stores and social network platforms. As of December 31, 2018, the Group had established cooperation relationships with over 200 third-party distribution channels across China.

According to the Company's 2018 annual report, as of December 31, 2018, the Group had 59 games (including 17 role-playing games, 13 casual competition games, eight matching puzzle games, and seven endless running games), and the average monthly active users ("MAU") of the Group in 2018 was approximately 129.2 million, rising from approximately 122.2 million in 2017 and approximately 118.1 million in 2016. For the three years ended December 31, 2016, 2017 and 2018, the Group recorded total revenues of approximately RMB1,470.8 million, RMB1,763.5 million and RMB2,364.6 million respectively, of which its game revenue (mainly derived from the sale of in-game virtual items) contributed over 80% during the corresponding periods. The significant revenue growth, in particular the game revenue growth of approximately 20.1% in 2017 and approximately 34.1% in 2018, was mainly due to the solid performance of certain games and a number of new popular games being published in 2018. It is further stated in the Company's 2018 annual report that the Group will publish more than 20 new games in 2019, including anime collectible card games Rakshasa Street (鎮魂街) and Mob Psycho 100 (路人超能100), and a real-time strategy game Art of War 3 (全球行動), which will be published on Tencent's game platforms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Tencent

Tencent, a leading provider of Internet value-added service in the PRC, offers a wide range of high-quality products and services and has a large user base. Tencent Computer is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC. According to Tencent's 2018 annual report, Tencent is the leading platform globally for online games by revenue and users, and Tencent's online games business achieved revenues of approximately RMB104.0 billion in 2018. In addition, Tencent's social communications platforms, Weixin and QQ, represent the largest social communities in China in terms of MAU. The combined MAU of QQ, Weixin and WeChat increased to approximately 2,604.5 million as of December 31, 2018.

The Group cooperates with Tencent in multiple areas, including cloud-based infrastructure, game cooperation and offline entertainment facilities. The Directors believe that the Group's strategic partnership with Tencent will grant it unique advantages in respect of user traffic, contents and technologies, and further strengthen its market position. As such, a number of cooperation framework agreements, including the Game Cooperation Framework Agreement, have been entered into with Tencent Group, as disclosed in the Prospectus.

2. Background to and reasons for the Game Distribution by Tencent Group

The Group engages Tencent Group for distribution of its games, and obtaining new users for its games through PRC social network platforms of Tencent Group, such as Weixin and QQ. The Directors stated in its letter that Tencent Group owns a large amount of top-rated game products and game platforms, and the Group has been dedicated to the production, publishing and operation of popular games. It is expected that Tencent Group and the Group could leverage on each other's competitive advantages in products and platforms to improve the popularity of games owned by each other and increase the number of platform users and leverage on each other's game development capabilities. In addition, through its cooperation with Tencent, the Group is able to distribute its own games and the games licensed to the Group from global game developers to a wider spectrum of potential customers. The existing game cooperation between the Group and Tencent Group are governed under the Game Cooperation Framework Agreement, with a term from December 6, 2018 (i.e. the Listing Date) to December 31, 2020.

As stated in the announcement of the Company dated March 28, 2019, in the course of finalizing the annual results of the Group for the year ended December 31, 2018, the Board became aware that the actual amount of distribution fees paid by the Group to Tencent Group for the Game Distribution by Tencent Group in 2018 amounted to approximately RMB23.2 million, which exceeded the Existing Annual Cap of RMB20.0 million set for 2018. We are advised by the management of the Group that this was mainly due to the significant increase in the distribution

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

fees paid to Tencent Group in the fourth quarter of 2018, as a result of the higher-than-expected popularity of the new games launched in the second half of 2018, and the Group's strengthened efforts in distributing and promoting the new games on Tencent Group's platforms with a view to leveraging on the discounts to distribution fees offered by Tencent Group to its customers (including the Group) in late 2018. We are further advised by the management of the Group that there was a time gap between the transaction date and the receipt of confirmation from Tencent Group about the actual distribution fee of around two months, therefore the incident of the Existing Annual Cap in 2018 being exceeded was not discovered until after the close of the financial year when the Company was in the process of finalizing its annual results ended December 31, 2018 and carrying out the annual review of its continuing connected transactions for such period.

In view of the above, and having taken into account, among others, (i) the increase in the historical transaction amount for the Game Distribution by Tencent Group in 2018, as compared to the levels in the previous years, (ii) the new business opportunity for extending the Group's engagement of Tencent Group to distribute its games, and (iii) the year-on-year increase of the Group's game revenue in 2018, and (iv) the number and lifecycles of games distributed by Tencent Group for the Group in 2018, and the new games in the pipeline to be distributed on Tencent Group's platforms (including timing of publishing and promotional plan for such new games) in 2019 and 2020, the Company currently estimates that the annual transaction amounts of the Game Distribution by Tencent Group for the years 2019 and 2020 are expected to exceed the Existing Annual Caps. As such, the Company has proposed to increase the annual caps of the Game Distribution by Tencent Group for the years 2019 and 2020.

3. Principal terms of the Game Cooperation Framework Agreement

General

On November 21, 2018, Shenzhen iDreamSky, a PRC consolidated affiliated entity of the Company, entered into the Game Cooperation Framework Agreement with Tencent Computer, pursuant to which the Group and Tencent Computer agreed to (i) license games of the Group and/or games licensed to the Group by third parties, and engage Tencent Group for distribution or publishing of such games; (ii) license the games of Tencent Group for distribution and operation on the Group's platforms; and (iii) cooperate on other gaming-related matters, including but not limited to (a) engagement by Tencent Group of the Group to develop customized games, (b) the license by Tencent Group of its intellectual properties to the Group for development of games, and (c) joint development of games by the Group and Tencent Group.

The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the Game Distribution by Tencent Group, the Group takes primary responsibilities of game operation, including determining the payment channels and providing customer services, service specifications and pricing, while Tencent Group provides access to the Group's games and games licensed to the Group by third parties to the users through its distribution platforms. The Group recognises the gross billings of games paid by users as revenue, and pays distribution fees to Tencent Group for its games distributed through their platforms, based on a prescribed percentage of the gross billings, after deduction of certain expenses, including payment channel expenses. As confirmed by the management of the Group, the above game cooperation with Tencent Group is consistent with the prevailing arrangement between the Group and independent third parties.

Fee arrangement

The distribution fees and/or licensing fees payable by the Group or Tencent Group (as the case may be) for the transactions contemplated under the Game Cooperation Framework Agreement shall be calculated on any of the following bases: (i) fixed amount of distribution fees and/or licensing fees; (ii) revenue/profit sharing between the parties; (iii) prepaid revenue/profit sharing between the parties; and/or (iv) product bonus.

The fee payable and/or revenue to be shared by the Group to Tencent Group and the fee payable and/or revenue to be shared by Tencent Group to the Group shall be determined after arm's length negotiation between the parties with reference to the prevailing market price and consideration of various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games.

Apart from the annual caps for the Game Distribution by Tencent Group (as analysed in the section headed "The Revised Annual Caps"), the terms of the Game Cooperation Framework Agreement remain unchanged. For further details of the Game Cooperation Framework Agreement, please refer to the letter from the Board and the Prospectus.

Internal control measures

As set out in the letter from the Board, to ensure that the revenue/profit sharing ratio for the distribution fees payable by the Group to Tencent Group is fair and reasonable and on normal commercial terms, to the extent commercially practicable, the Company will seek to solicit cooperation with at least two other independent third parties and compare the commercial terms offered by those parties with those offered by Tencent Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, the Company has adopted and implemented a management system on connected transactions, and the Board and various internal departments of the Company are responsible for the control and daily management in respect of the continuing connected transactions. Set out below is the key internal control measures summarised from the letter from the Board and our discussions with the management of the Group:

- (i) the Board and various internal departments of the Company (including finance, legal and compliance, business operation, and internal audit departments) will be jointly responsible for evaluating the terms under the underlying agreements for the continuing connected transactions, in particular, the fairness and reasonableness of the pricing policies and proposed annual caps under each transaction;
- (ii) all members of the Group are required to report, and the finance department of the Company will closely monitor, the actual transaction amounts relating to its continuing connected transactions on a monthly basis. If the actual transaction amount is reasonably expected to reach 85% of the proposed annual caps of the relevant continuing connected transactions at any time, the matter shall promptly be escalated to the chief financial officer, who will seek advice from the audit committee of the Company and the Board for appropriate measures, including but not limited to revising the relevant proposed annual caps in accordance with the requirements of the Listing Rules, if necessary. The Company considers that the above-mentioned 85% threshold is a reasonable and effective threshold as it will allow sufficient time for the Company to promptly take appropriate measures before the actual transaction amount exceeds the proposed annual cap, such as by reducing and/or controlling the volume of transaction and/or revising the relevant proposed annual caps in accordance with the Listing Rules.

In respect of the Game Distribution by Tencent Group, the finance department of the Company will regularly keep track of the revenue generated from the Game Distribution by Tencent Group recorded in the Company's financial control system and will generate monthly reports to check the transaction amount by game and payment channel. The finance department will, as soon as practicable after each month end, cross check and confirm the relevant monthly transaction amount with Tencent Group against the amount recorded in Tencent Group's system. In the past, the deviation of the transaction amount recorded in the Group's and Tencent Group's system was generally small and within a range of approximately 5% to 10%. As such, the Group would have a reasonable estimate of the actual utilisation of the relevant annual cap well before the confirmation of the transaction amount from Tencent which usually takes around two months. In addition to the checking and reporting exercise, the finance team will also take note of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

any early sign of the actual transaction amount exceeding the proposed annual caps, such as by analysing the trend of the expected revenue to be generated from the Game Distribution by Tencent Group;

- (iii) prior to renewing the existing business and/or entering into a new form of business with any connected person, the relevant business operation department shall first report to the finance and legal and compliance departments, and the senior management shall assess whether the scope and relevant proposed annual caps of the existing continuing connected transactions should be amended and/or new framework agreement should be entered into for such new transactions;
- (iv) the Company will arrange for regular training for its employees (including the business operation, finance, and legal and compliance departments) to strengthen their familiarity of the Listing Rules and enhance their awareness of the compliance with the relevant internal control procedures relating to the Group's continuing connected transactions; and
- (v) the Company's internal audit team will monitor the effectiveness and adequacy of the internal control measures, and will make recommendation and report to the audit committee of the Company on a regular basis. The management of the Group informed us that the review and the reporting in respect of the Game Distribution by Tencent Group by the Company's internal audit team will be conducted on a quarterly basis.

We are advised by the management of the Group that no common director, senior management or staff of the Group and Tencent Group will be involved in the above internal approval process. Since the exact terms of the underlying transactions will only be agreed upon the entering into of the underlying agreements, we consider that the above internal control measures, in particular the regular review and reporting by the relevant internal departments of the Company as regards the terms of the Game Distribution by Tencent Group, are important for the conduct of the Game Distribution by Tencent Group. We concur that the solicitation of cooperation with other independent third parties, and comparison of the relevant commercial terms with those offered by Tencent Group, will help the Group to ensure the Game Distribution by Tencent Group are on normal commercial terms.

Due to the time gap of around two months between the transaction date and the receipt of confirmation from Tencent Group about the actual distribution fee, there was a late discovery of the Existing Annual Cap in 2018 being exceeded. Internal control measures have been enhanced, in order to increase the awareness and accountability in monitoring the relevant proposed annual caps. Item (ii) of the above list of internal control measures seeks to enhance monitoring of the utilisation of the relevant annual caps, and to, as soon as practicable, look for early signs that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annual cap will potentially be exceeded. The finance department of the Company will analyse the trend of the expected revenue to be generated from the Game Distribution by Tencent Group on a monthly basis, and will also target to improve the efficiency of payment confirmation and settlement with Tencent Group. As confirmed by the management of the Group, the Company will seek advice from the audit committee of the Company and the Board for appropriate measures, if the actual transaction amount is reasonably be expected to reach 85% of the proposed annual caps of the relevant continuing connected transactions, and that the 85% threshold does not represent a rigid trigger point, such that management of the Group will take necessary actions to ensure compliance of the annual cap requirements even if the 85% threshold is not yet reached, as long as there are reasonable indications that the full-year annual cap will potentially be exceeded.

The independent non-executive Directors and auditors of the Company will review the Game Distribution by Tencent Group each year, details of which are set out in the section below headed “Reporting requirements and conditions of the Game Distribution by Tencent Group”.

In our view, the setting of the 85% threshold, together with the targeted internal control measures as described above, are important measures to assist the Company in preventing the potential breach of the Listing Rules by exceeding the annual cap assigned, by (i) analysing the expected income stream to be generated from the relevant business in the remaining period under the subject annual cap, (ii) analysing the possibility of the annual caps to be exceeded in near future, (iii) taking required actions, including the revision of relevant annual caps and seeking relevant independent Shareholders’ approval if required.

Our assessment of the terms of the Game Distribution by Tencent Group

We have discussed with the management of the Group and reviewed a list of transactions and the selected sample contracts for specific games under the Game Distribution by Tencent Group (the “**Sample Contracts**”), which were selected on a random basis from all executed contracts in 2018. Management of the Group has confirmed to us that it has provided to us an exhaustive list of contracts for the above-mentioned time period. According to our discussions with the management of the Group, in general, the historical distribution fees payable by the Group to Tencent Group for the Game Distribution by Tencent Group are calculated primarily based on the revenue/profit sharing percentage, primarily in a range from approximately 40% to 60% (being the portion shared to Tencent Group), and the fee payments are usually settled on a monthly basis. The pricing and payment terms of the Sample Contracts as reviewed by us are consistent with the above terms between the Group and Tencent Group. We are further advised that other types of fee arrangements (including fixed amount of fees, prepaid revenue/profit sharing between the parties, and product bonus) are not applicable to the Game Distribution by Tencent Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also compared the terms of the Sample Contracts with the similar game cooperation between the Group and independent third-party distribution channels for the relevant specific games reviewed by us (the “**Comparable Transactions**”). We note that the Group has also adopted the revenue/profit sharing arrangement with the third-party distribution channels for the Comparable Transactions, in the similar manner as the Sample Contracts, and that the terms of the Sample Contracts, in particular the pricing terms and payment terms, are broadly similar to those terms under the Comparable Transactions.

4. The Revised Annual Caps

Review of historical figures

Set out below are the historical transaction amounts and the relevant annual cap in relation to the Game Distribution by Tencent Group for the three years ended December 31, 2016, 2017 and 2018:

	For the year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Distribution fees paid by the Group			
to Tencent Group	19,547	17,196	23,189
Relevant annual cap	N/A	N/A	20,000
Utilisation rate	N/A	N/A	115.9%

As shown in the above table, the distribution fees paid by the Group to Tencent Group fluctuated in recent years. It decreased by approximately 12.0% from approximately RMB19.5 million in 2016 to approximately RMB17.2 million in 2017, but increased by approximately 34.9% to approximately RMB23.2 million in 2018. We are advised by the management of the Group that such fluctuations were mainly a result of changes in the number and scale of the Group's games distributed on the platforms of Tencent Group, popularity of individual game products of the Group and game platforms owned by Tencent Group, and the Group's promotional plan to cooperate with Tencent Group on the game distribution.

Assessment of the Revised Annual Caps

Based on our discussions with the management of the Group, when determining the Revised Annual Caps, the Company has taken into account various factors, including (i) the historical transaction amount for the Game Distribution by Tencent Group in 2018, (ii) the new business opportunity for extending the Group's engagement of Tencent Group to distribute its games, (iii)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the year-on-year increase of the Group's game revenue in 2018, and (iv) the number and lifecycles of games distributed by Tencent Group for the Group in 2018, and the new games in the pipeline to be distributed on Tencent Group's platforms in 2019 and 2020. Set out below are the Existing Annual Caps and the Revised Annual Caps in relation to the Game Distribution by Tencent Group for the three years ended/ending December 31, 2018, 2019 and 2020:

For the year ended/ending December 31,			
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Annual Cap			
Distribution fees payable by the			
Group to Tencent Group	20,000	24,000	28,800
Revised Annual Cap			
Distribution fees payable by the			
Group to Tencent Group	N/A	30,000	39,000

The Company proposes to revise the annual caps in relation to the Game Distribution by Tencent Group from RMB24.0 million to RMB30.0 million in 2019, and from RMB28.8 million to RMB39.0 million in 2020 respectively. In other words, the revised annual caps in respect of the Game Distribution by Tencent Group would be approximately 25.0% and 35.4% more than the original annual caps set for 2019 and 2020. We are advised by the management of the Group, the revision was mainly due to the expected increase in revenues to be generated from its games launched on Tencent Group's platforms, having regard to the historical transaction amount in 2018 and the game pipeline to be launched on Tencent Group's platforms. The management of the Group informed us that there were over 10 games being distributed by Tencent Group in 2018. On top of the existing games that are currently distributed by Tencent Group and with a view to leveraging on the extensive reach of Tencent Group's platforms, the Company plans to launch around 10 new games on Tencent Group's platforms in each of 2019 and 2020, subject to obtaining the pre-approval for publication of the new games and further commercial negotiations with Tencent Group on the distribution arrangement. As a result, the total number of games to be distributed by Tencent Group is expected to be further increased. The more the number of games distributed on Tencent Group's platforms, the higher potential there is for the Group to generate game revenues, hence the increased distribution fees payable by the Group to Tencent Group.

In assessing the reasonableness of the Revised Annual Caps, we have discussed with the management of the Group under the Game Distribution by Tencent Group the bases and assumptions underlying the projections for the distribution fees payable by the Group to Tencent Group in the coming years. Based on our review of the Company's calculations relating the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revised Annual Caps in 2019, we note that it is calculated principally based on the projected revenues to be generated from the Group's games currently and expected to be launched on Tencent Group's platforms, which in turn are mainly estimated with reference to the historical monthly revenue and lifecycles of the relevant games of the Group distributed through Tencent Group's platforms in 2018. In addition, the Company has adopted a revenue/profit sharing model in estimating the distribution fees payable by the Group to Tencent Group, which is consistent with the arrangement with Tencent Group in 2018.

In order to cater for the potential game cooperation and development, the Group has assumed a growth rate of 30% for the projection of the Revised Annual Cap in 2020, which is largely in line with the growth in the Group's historical game revenues of approximately 34.1% in 2018. In this respect, we note from the Frost & Sullivan report contained in the Prospectus that the size of the PRC independent mobile game publishing market is estimated to grow at a CAGR of approximately 37.5% from 2017 to 2020, reaching approximately RMB83.1 billion by 2022. The above forecast suggests that the PRC independent mobile game publishing market is expected to grow rapidly in near future, and the Group, being one of the leading market players, is expected to benefit from such substantial growth in market size. While the assumed growth rate of 30% in 2020 is slightly lower than the Group's historical game revenue growth rate of approximately 34.1% and the expected general industry growth rate of approximately 37.5%, the setting of the subject annual cap is also dependent on more specific factors under the Game Distribution by Tencent Group in future, for example, the expected pipeline of new games to be distributed by Tencent Group, which is to a certain extent a factor controllable by the Group. On the above basis, we consider the assumed growth rate of 30% in 2020, estimated with reference to specific factors relating to the Game Distribution by Tencent Group as described above, and is not far from the Group's historical growth rate and the expected industry growth rate, to be reasonable.

Our general view

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Revised Annual Caps in a way that can accommodate the potential growth of the Group's business. In particular, it was to a certain extent difficult for the management of the Group to estimate future transactions with Tencent Group with high certainty. For example, the historical Game Distribution by Tencent Group in 2018 have exceeded the relevant annual cap, as detailed in the announcement of the Company dated March 28, 2019. In addition, the Group has enhanced its efforts in distributing and promoting its new games on Tencent Group's platforms since late 2018, which is consistent with the Group's promotional strategy, and this will contribute additional revenues through the Game Distribution by Tencent Group to the Group. Provided that the Game Distribution by Tencent Group are subject to annual review by the independent non-executive Directors and auditors of the Company (as summarised below), as required under the Listing Rules and other internal control measures (as summarised in the section headed "Principal terms of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Game Cooperation Framework Agreement”) to safeguard the Group’s interest, the Group would have desirable flexibility in conducting its business if the Revised Annual Caps are tailored to future business activities.

5. Reporting requirements and conditions of the Game Distribution by Tencent Group

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Game Distribution by Tencent Group are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Game Distribution by Tencent Group every year and confirm in the annual report and accounts that the Game Distribution by Tencent Group have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Game Distribution by Tencent Group every year. The Company’s auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company’s annual report) confirming whether anything has come to their attention that causes them to believe that the Game Distribution by Tencent Group:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Game Distribution by Tencent Group involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Game Distribution by Tencent Group; and
 - (iv) have exceeded the related Revised Annual Caps;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) the Company must allow, and ensure that the counterparties to the Game Distribution by Tencent Group allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Game Distribution by Tencent Group as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements and conditions attached to the Game Distribution by Tencent Group, in particular, (i) the restriction of the value of the Game Distribution by Tencent Group by way of the Revised Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Game Distribution by Tencent Group (including the Revised Annual Caps) not being exceeded, and given the Company's internal safeguards in place, we are of the view that appropriate measures will be in place to govern the conduct of the Game Distribution by Tencent Group and assist in safeguarding the interests of the Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Game Distribution by Tencent Group (including the Revised Annual Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Game Distribution by Tencent Group (including the Revised Annual Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and as a responsible officer of Somerley, which is licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

The biographical details of the Directors proposed to be re-elected at the AGM are set out as follows:

Mr. Chen Xiangyu, aged 36, is an executive Director, Chairman of the Board and Chief Executive Officer of our Company. Mr. Chen has more than ten years of experience in mobile games, telecommunication, technology and management and is primarily responsible for overseeing the overall strategic planning and business direction as well as day-to-day management of our Group. Mr. Chen also serves as the chief executive officer and a director of Shenzhen iDreamSky, a director of Shenzhen Mengyu and a director of Chuangyi Shikong. Mr. Chen has received numerous awards and recognitions for his entrepreneurship and industry expertise, including being listed as one of the “40 Elite Individuals in Business Under the age of 40 in the PRC” (中國40位40歲以下的商界精英) in years 2014 and 2016 by Fortune Magazine (Chinese edition), being listed as one of the “Top 10 PRC Entrepreneurs Born in 1980s” (中國十大八零後創業家) by the Hurun Report (胡潤百富) in 2016, being listed as one of the “100 Most Innovative Individuals in PRC Business of 2016” (2016中國商業最具創意人物100) by the Fast Company Magazine, being awarded the Young Individual in Technology Award (青年科技獎) by the Shenzhen Science and Technology Awards (深圳市科學科技獎) in 2017 and being selected as “Remarkable Young Entrepreneur of the Year in Shenzhen” (深圳青年創業年度風雲人物). In 2016, Mr. Chen was appointed as “Ambassador of Innovative Entrepreneurship of Nanshan District” (南山區創新創業形象大使) by the government of Nanshan District, Shenzhen, the PRC. In July 2017, he was nominated to the position of committee member of the Youth Association of Shenzhen (深圳市青年聯合會委員). Prior to joining our Group, Mr. Chen has held various positions in the telecommunications and technology industries, including serving as project manager at the overseas projects division of Achievo Information Technology (Shenzhen) Co., Ltd. (深圳市大展信息科技有限公司) from October 2008 to November 2009. Mr. Chen received his bachelor’s degree in computer science and technology from the Central South University in the PRC in July 2000.

Save as disclosed above, Mr. Chen has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Chen is interested in approximately 25.92% of the total issued shares capital of the Company, comprising: (i) 242,870,430 Shares, representing approximately 19.13% of the total share capital of the Company through Brilliant Seed Limited; and (ii) 86,270,450 shares, representing approximately 6.79% of the share capital of the Company held by Sky Investment Limited and Sky Technology Limited under the RSU Plan (of which Mr. Chen is the administrator). In addition, Mr. Chen has a direct interest in 500,000 shares of Shenzhen Mengyu Technology Co., Ltd. (深圳市夢域科技有限公司), an associated corporation of the Company, representing 5.00% of the issued shares of that company.

Save as disclosed above, Mr. Chen does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Chen entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Chen is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. For the year ended December 31, 2018, Mr. Chen did not receive any director's fees.

Save as disclosed above, Mr. Chen is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Chen required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Guan Song, aged 37, is an executive Director and Chief Technology Officer of our Company. Mr. Guan is also a co-founder, the chief technology officer and a director of Shenzhen iDreamSky. Mr. Guan has more than ten years of experience in the telecommunications, technology and Internet, and is primarily responsible for overseeing the overall technological policies, research and development business and the establishment of technological platforms of our Group. Mr. Guan is the joint inventor of a Chinese invention patent and led the development of 10 game software products. Prior to joining our Group, Mr. Guan has held various positions in the telecommunications, technology and Internet industries, including serving as project manager at Achievo Information Technology (Shenzhen) Co., Ltd. (深圳市大展信息科技有限公司) from December 2006 to March 2010. Mr. Guan is certificated for High-Level Professional in Shenzhen by Human and Social Security Administration of Shenzhen Municipality. Mr. Guan received a bachelor's degree in software engineering from Zhejiang University in the PRC in June 2004.

Save as disclosed above, Mr. Guan has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Guan has an indirect interest in 47,078,020 Shares through 100% interest in Bubble Sky Limited, representing approximately 3.71% of the issued Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Guan does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Guan entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Guan is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. For the year ended December 31, 2018, Mr. Guan did not receive any director's fees.

Save as disclosed above, Mr. Guan is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Guan required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Jeffrey Lyndon Ko, aged 36, is an executive Director and President of our Company. Mr. Ko is also a co-founder, the president and a director of Shenzhen iDreamSky. Mr. Ko has more than twenty years of experience in the games industry and is primarily responsible for overseeing the import of games and other contents, overseas business development and overseas strategic investments of our Group. Except for holding positions in the Group, Mr. Ko was elected as the president of the Shenzhen ESports Association in November 2018. He also served as the honorary advisor of Hong Kong Esports Limited and the honorary president of Macau E-Sports Federation. In 2009, Mr. Ko was awarded a "Developer 30 Under 30 Award" from DEVELOP magazine. He was the first person of Chinese descent to have received such award. In 2018, Mr. Ko was awarded as one of the Top 100 Generation Talents with Most Potential of China.

Save as disclosed above, Mr. Ko has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Ko has an indirect interest in 13,979,400 Shares through 100% interest in Shipshape Holdings Limited, representing approximately 1.10% of the issued Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Ko does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Ko entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Ko is entitled to receive director's

fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. For the year ended December 31, 2018, Mr. Ko did not receive any director's fees.

Save as disclosed above, Mr. Ko is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Ko required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Lei Junwen, aged 35, is an executive Director and the Chief Financial Officer of our Company. Mr. Lei has extensive industry experience in the financial management, accountancy and consultancy industries and is primarily responsible for the overall financial management, financing matters and strategic development of our Group. Mr. Lei also serves as the chief financial officer and a director of Shenzhen iDreamSky and a director of Horgos iDreamSky. Mr. Lei has extensive industry experience in the financial management, accountancy and consultancy industries, including experience in KPMG from August 2006 to May 2010, where he was eventually promoted to audit assistant manager, as senior manager of Vermillion Partners Limited (銀硃合夥人有限公司) from June 2010 to November 2013 and as chief financial officer of XDK Communication Equipment (Huizhou) Co., Ltd. (訊達康通訊設備(惠州)有限公司) from December 2010 to November 2013. Mr. Lei obtained his bachelor's degree in accounting from Zhejiang University in the PRC in June 2005.

Save as disclosed above, Mr. Lei has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Lei has an indirect interest in 27,423,760 Shares through 100% interest in Instant Sparkle Limited, and a direct interest in 120,000 Shares as a beneficial owner, in aggregate representing approximately 2.17% of the issued Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lei does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Lei entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Lei is entitled to receive director's

fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. For the year ended December 31, 2018, Mr. Lei did not receive any director's fees.

Save as disclosed above, Mr. Lei is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Lei required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Ma Xiaoyi, aged 44, was appointed as our non-executive Director in May 2018. Mr. Ma has extensive industry experience in the telecommunications and games industries. He joined Tencent in 2007 and is currently the senior vice president of Tencent, where he is responsible for international distribution of Tencent games, establishing and maintaining long-term business partnerships and cooperation for Tencent since November 2008. Before that, Mr. Ma served as general manager of the game business department of Optic Communication Co., Ltd. (廣州光通信發展有限公司) from January 2003 to April 2007, where he was responsible for online gaming business. Mr. Ma obtained his EMBA degree from Fudan University in the PRC in June 2008.

As of the Latest Practicable Date, our non-executive Director, Mr. Ma Xiaoyi, held directorship in certain companies principally or partially engaged in developments and/or distribution of online and/or mobile games, including Shengyue Internet Technology (Shanghai) Co., Ltd. (盛躍網絡科技(上海)有限公司), Supercell Oy, Seasun Holdings Limited, Miniclip Group S.A. Mr. Ma served as a director of Shanghai OOHOO Games Co., Ltd. (上海樂我網絡科技有限公司) from May 2014 to February 2019, and as a director of Beijing Zhongqing Longtu Network Technology Co., Ltd. (北京中清龍圖網絡技術有限公司) from August 2012 to January 2019. Mr. Ma was not involved in the daily management and operation of our Company and the aforementioned companies. As such, the directorship held by Mr. Ma would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Save as disclosed above, Mr. Ma has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Ma does not have any interests in the Share within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Ma does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Ma entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Ms. Ma is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. For the year ended December 31, 2018, Mr. Ma did not receive any director's fees.

Save as disclosed above, Mr. Ma not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Ma required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Du Feng, aged 42, was appointed as our non-executive Director on May 2018. Mr. Du also serves as a director of Shenzhen iDreamSky. In addition to his positions within our Group, Mr. Du has been a founding partner of Beijing Prometheus Capital Co., Ltd. (北京普思投資有限公司) since May 2012. Before that, Mr. Du served as an executive director of Dalian Ruixin Real Estate Development Co., Ltd. (大連瑞鑫房地產開發有限公司) from June 2005 to October 2010. Mr. Du obtained his diploma in Japanese language from the University of Science & Technology Beijing in the PRC in July 2000 and his MBA degree from New York Institute of Technology in 2003.

Save as disclosed above, Mr. Du has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Du does not have any interests in the Share within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Du does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Du entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Du is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. For the year ended December 31, 2018, Mr. Du did not receive any director's fees.

Save as disclosed above, Mr. Du is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Du required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Ms. Yu Bin, aged 48, was appointed as independent non-executive Director on May 2018. Ms. Yu also serves as an independent director of Shenzhen iDreamSky. Ms. Yu has extensive industry experience in financial management. In addition to her positions in our Group, Ms. Yu has been an independent non-executive director of Tian Ge Interactive Holdings Limited (天鵝互動控股有限公司) since July 2014, an independent non-executive director of Baozun Inc. since May 2015, an independent non-executive director of GDS Holdings Ltd. since November 2016 and the chief financial officer of Lingo Champ Inc. since October 2017. Before that, Ms. Yu has served as the chief financial officer of InnoLight Technology Corp from January 2015 to April 2017, as chief financial officer of Star China Media Limited (星空華文傳媒集團) from May 2013 to January 2015, as VP of finance of Tudou Holdings Limited from July 2010 to December 2011, as chief financial officer of Tudou Holdings Limited from January 2012 to April 2013 and Senior Vice President of Youku Tudou Inc. from August 2012 to April 2013. Ms. Yu obtained a bachelor's degree in English literature from Xi'an Foreign Language University in the PRC in July 1992, and a master's degree in accounting from the University of Toledo in the United States in May 1999 and a Tsinghua-INSEAD Executive MBA degree from Tsinghua University and INSEAD in January 2013. She has been a member of the American Institute of Certified Public Accountants since November 2013 and a member of Chartered Global Management Accountant since December 2013.

Save as disclosed above, Ms. Yu has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Ms. Yu does not have any interests in the Share within the meaning of Part XV of the SFO.

Save as disclosed above, Ms. Yu does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Ms. Yu entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Ms. Yu is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. Her director's fee for acting as an independent non-executive Director will be RMB100,000 per year.

Save as disclosed above, Ms. Yu is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to her re-election as a Director and any other information in relation to Ms. Yu required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Li Xintian, aged 53, was appointed as independent non-executive Director on May 2018. Mr. Li also serves as an independent director of Shenzhen iDreamSky. In addition to his positions in our Group, Mr. Li has been an independent director of Guangdong Hec Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) (formerly named as Guangdong Dongyangguang Aluminum Co., Ltd. (廣東東陽光鋁業股份有限公司)), an independent director of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) since November 2013 and an independent director of Hubei Century Network Technology Co., Ltd. (湖北盛天網絡技術股份有限公司) since May 2012. Mr. Li has been teaching in the Office of Teaching and Research of Civil Commercial Law of the Department of Law of the University of Wuhan (武漢大學法學院民商法教研室) since September 1992, where he has held the position of lecturer and became a deputy professor on June 2000. Mr. Li has been a professor in the University of Wuhan since November 2005. He was admitted by the Ministry of Justice of Hubei (湖北省司法廳) as a lawyer in July 1993. Mr. Li obtained his bachelor's degree in law in July 1989 from the Wuhan University in the PRC and his doctorate degree in law from the Wuhan University in the PRC in June 2002.

Save as disclosed above, Mr. Li has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Li does not have any interests in the Share within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Li does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Li entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Li is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. His director's fee for acting as an independent non-executive Director will be RMB100,000 per year.

Save as disclosed above, Mr. Li is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Li required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Zhang Weining, aged 40, was appointed as independent non-executive Director on May 2018. Mr. Zhang also serves as an independent director of Shenzhen iDreamSky. In addition to his positions in our Group, Mr. Zhang has been serving as an associate professor of Cheung Kong Graduate School of Business since May 2015. Before that, Mr. Zhang served as assistant professor in Business School of National University of Singapore from August 2010 to December 2011. Mr. Zhang has been a director of Guangzhou Topcomm Media Advertising Co., Ltd. (廣州尚思傳媒廣告股份有限公司) from June 2013 to May 2018, and holds approximately 9% of the share capital therein. Mr. Zhang has been a director of Sichuan Tianyi Science & Technology Co., Ltd. (四川天一科技股份有限公司) from August 2012 to November 2015. He has been a director of Transino Technology Corp., LTD. (北京時代正邦科技股份有限公司) since September 2016. Mr. Zhang obtained his bachelor's degree in accounting in Southwestern University of Finance and Economics in the PRC in July 2001 and his doctorate degree in management in the University of Texas in the United States in August 2010.

Save as disclosed above, Mr. Zhang has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Group.

As at the Latest Practicable Date, Mr. Zhang does not have any interests in the Share within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Zhang does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

Mr. Zhang entered into a service agreement with the Company for an initial term of three years commencing from the date the appointment is approved by the Board. Either party has the right to give not less than three months' prior written notice to terminate the agreement. He is subject to retirement by rotation and re-election at the annual general meeting of the Company and vacation of office in accordance with the Articles of Association. Mr. Zhang is entitled to receive director's fee, basic salary, discretionary bonuses or other benefits based on his performances and duties, profitability of the Group and the prevailing market condition. His director's fee for acting as an independent non-executive Director will be RMB100,000 per year.

Save as disclosed above, Mr. Zhang is not aware of any other matters that need to be brought to the attention of the Shareholders in relation to his re-election as a Director and any other information in relation to Mr. Zhang required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to enable you to make an informed decision whether to vote in favour of or against the resolution to approve the grant of the Repurchase Mandate to the Directors.

LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which is summarised below.

- (a) The shares proposed to be purchased by the company are fully paid-up;
- (b) The company has previously sent to its shareholders an explanatory statement complying with the provisions of Rule 10.06(1)(b) of the Listing Rules; and
- (c) The shareholders of the company have given a specific approval or a general mandate to the directors of the company to make the purchase(s), by way of an ordinary resolution which complies with the provisions of Rule 10.06(1)(c) of the Listing Rules and which has been passed at a general meeting of the company duly convened and held.

SHARE CAPITAL

As at the Latest Practicable Date, the number of issued Shares of the Company was 1,269,718,990 Shares of nominal value of US\$0.0001 each which have been fully paid. Subject to the passing of the resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase in the open market a maximum of 126,971,899 Shares which represent 10% of the issued Shares of the Company during the period ending on the earlier of (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Law or any applicable laws or the Articles of Association to be held; or (c) the revocation or variation by ordinary resolution(s) by the Shareholders in a general meeting prior to the next annual general meeting of the Company.

REASONS FOR AND FUNDING OF REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders as a whole to seek a general authority from the Shareholders to enable the Company to repurchase its Shares. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders as a whole.

Repurchases of Shares will be financed out of funds legally available for the purpose and in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands. The Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange. The Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, the Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the Companies Law, out of capital.

The Directors have no present intention to repurchase any Shares in the open market (i.e. on the Stock Exchange or another stock exchange recognised for this purpose by the Stock Exchange) and would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the Repurchase Mandate was to be exercised in full, it may not have a material adverse impact on the working capital or on the gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

GENERAL

As at the Latest Practicable Date and to the best of their knowledge having made all reasonable enquiries, none of the Directors or any of their respective close associates (as defined in the Listing Rules) has a present intention to sell any of the Shares to the Company or its subsidiaries, if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

As at the Latest Practicable Date, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it had a present intention to sell any Shares, or has undertaken to do so, if the Repurchase Mandate is approved by the Shareholders.

TAKEOVERS CODE

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase of Shares pursuant to the Repurchase Mandate.

The Directors are not aware of any consequences which would give rise to an obligation for it to make a mandatory offer under Rule 26 of the Takeovers Code. As at the Latest Practicable Date, none of the Shareholders or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and/or result in the aggregate number of Shares held by the public Shareholders falling below the prescribed minimum percentage required under the Listing Rules.

SHARE REPURCHASE MADE BY THE COMPANY

No repurchases of Shares have been made by the Company during the six months prior to the Latest Practicable Date (whether on the Stock Exchange or otherwise).

SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange from the Listing Date up to the Latest Practicable Date are as follows:

Month	Highest prices per Share <i>HK\$</i>	Lowest prices per Share <i>HK\$</i>
2018		
December (from the Listing Date)	6.760	5.070
2019		
January	6.290	5.730
February	6.300	5.880
March	6.800	5.570
April (up to the Latest Practicable Date)	9.040	5.920

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 ⁽⁸⁾	Approximate percentage of interest in the Company ^{(1) (7)}
Mr. Chen Xiangyu ("Mr. Chen") ^{(2) (3)}	Interest of controlled corporation	329,140,880 (L)	25.92%
Mr. Guan Song ("Mr. Guan") ⁽⁴⁾	Interest of controlled corporation	47,078,020 (L)	3.71%
Mr. Jeffrey Lyndon Ko ("Mr. Ko") ⁽⁵⁾	Interest of controlled corporation	13,979,400 (L)	1.10%
Mr. Lei Junwen ("Mr. Lei") ⁽⁶⁾	Interest of controlled corporation	27,423,760 (L)	2.16%
	Beneficial owner	120,000 (L)	0.01%

Notes:

- (1) The percentages are calculated on the basis of 1,269,718,990 Shares in issue as at the Latest Practicable Date.
- (2) Brilliant Seed Limited is wholly-owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed Limited.
- (3) As at the Latest Practicable Date, Mr. Chen is the administrator of the restricted share unit plan of the Company (the “**RSU Plan**”) and is deemed to be interested in the Shares held by the RSU Holdings Entities, which the companies holding the Shares pursuant to the RSU Plan on trust or on behalf of the grantees of the Company, namely Sky Investment Limited and Sky Technology Limited.
- (4) Bubble Sky Limited is wholly-owned by Mr. Guan, who is therefore deemed to be interested in the Shares held by Bubble Sky Limited.
- (5) Shipshape Holdings Limited is wholly-owned by Mr. Ko, who is therefore deemed to be interested in the Shares held by Shipshape Holdings Limited.
- (6) Instant Sparkle Limited is wholly-owned by Mr. Lei, who is therefore deemed to be interested in the Shares held by Instant Sparkle Limited.
- (7) 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.
- (8) 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 interest in the Company
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 ^{(8) (9)}	Approximate percentage of interest in the Company ^{(1) (7)}
Brilliant Seed Limited ⁽²⁾	Beneficial owner	242,870,430 (L)	19.13%
Mr. Chen ⁽²⁾⁽³⁾	Interest of controlled corporation	329,140,880 (L)	25.92%
Tencent Mobility Limited ⁽⁴⁾	Beneficial owner	235,999,300 (L)	18.59%
Tencent ⁽⁴⁾	Interest of controlled corporation	235,999,300 (L)	18.59%
iDreamSky Technology Limited ⁽⁵⁾	Beneficial owner	213,801,980 (L)	16.84%
Dream Investment Holdings Limited ⁽⁵⁾	Interest of controlled corporation	213,801,980 (L)	16.84%
Dream Technology Holdings Limited ⁽⁵⁾	Interest of controlled corporation	213,801,980 (L)	16.84%
Credit Suisse (Hong Kong) Limited ⁽⁶⁾	Beneficial owner	59,087,600 (L) 19,045,600 (S)	4.65% 1.50%
Credit Suisse Securities (Europe) Limited ⁽⁶⁾	Beneficial owner	46,000 (S)	0.00%
Credit Suisse Group AG ⁽⁶⁾	Interest of controlled corporation	59,087,600 (L) 19,091,600 (S)	4.65% 1.5%

Notes:

- (1) The percentages are calculated on the basis of 1,269,718,990 Shares in issue as at the Latest Practicable Date.
- (2) Brilliant Seed Limited is wholly-owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed Limited.
- (3) As at the Latest Practicable Date, Mr. Chen is the administrator of the RSU Plan and is deemed to be interested in the Shares held by the RSU Holdings Entities, which the companies holding the Shares pursuant to the RSU Plan on trust or on behalf of the grantees of the Company, namely Sky Investment Limited and Sky Technology Limited.
- (4) Tencent Mobility Limited is a wholly-owned subsidiary of Tencent Holdings Limited. Under the SFO, Tencent is deemed to be interested in the Shares held by Tencent Mobility Limited.
- (5) iDreamSky Technology Limited is wholly-owned by Dream Investment Holdings Limited, which is an exempted company incorporated with limited liabilities in 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.
- (6) Credit Suisse (Hong Kong) Limited is wholly-owned by Credit Suisse AG, which is in turn wholly-owned by Credit Suisse Group AG. Under the SFO, Credit Suisse Group AG is deemed to be interested in the Shares held by Credit Suisse (Hong Kong) Limited. Credit Suisse Securities (Europe) Limited is wholly owned by Credit Suisse Investment Holdings (UK), which is in turn wholly owned by Credit Suisse Investments (UK). Credit Suisse Investments (UK) is wholly owned by Credit Suisse AG, which is in turn wholly owned by Credit Suisse Group AG. Under the SFO, Credit Suisse Group AG is deemed to be interested in the Shares held by Credit Suisse Securities (Europe) Limited.
- (7) 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.
- (8) The letter “L” denotes the person’s long position in such Shares.
- (9) The letter “S” denotes the person’s short position in such Shares.

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 December 31, 2018 (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 25.92% 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 Director, Mr. Ma Xiaoyi, held directorship in certain companies principally or partially engaged in development and/or distribution of online and/or mobile games. On the basis that Mr. Ma is not involved in the daily management and operation of our Company and such companies, the directorship held by Mr. Ma 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 or proposed 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 December 31, 2018 (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

Somerley is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO. Somerley 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, Somerley:

- (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 December 31, 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the principal place of business of the Company in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the AGM:

- (i) the Game Cooperation Framework Agreement;
- (ii) the “Letter from the Independent Board Committee” as set out in this circular;
- (iii) the “Letter from the Independent Financial Adviser” as set out in this circular;
- (iv) the letter of consent from Somerley referred to in the section headed “General Information — Qualification and Consent of Expert” in this circular; and
- (v) this circular.

NOTICE OF ANNUAL 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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of iDreamSky Technology Holdings Limited (the “**Company**”) will be held at Ballroom, Level 5, Island Shangri-la Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong, on Friday, May 31, 2019 at 10:00 a.m. for the following purposes.

ORDINARY RESOLUTIONS

1. To receive and consider the audited financial statements, the report of the directors of the Company (the “**Directors**”) and the independent auditor’s report of the Company for the year ended December 31, 2018.
2. (a) To consider and approve, each as a separate resolution, the following resolutions in relation to the re-election of the Directors:
 - (1) to re-elect Mr. Chen Xiangyu as an executive Director;
 - (2) to re-elect Mr. Guan Song as an executive Director;
 - (3) to re-elect Mr. Jeffrey Lyndon Ko as an executive Director;
 - (4) to re-elect Mr. Lei Junwen as an executive Director;
 - (5) to re-elect Mr. Ma Xiaoyi as a non-executive Director;
 - (6) to re-elect Mr. Du Feng as a non-executive Director;
 - (7) to re-elect Ms. Yu Bin as an independent non-executive Director;
 - (8) to re-elect Mr. Li Xintian as an independent non-executive Director; and

NOTICE OF ANNUAL GENERAL MEETING

- (9) to re-elect Mr. Zhang Weining as an independent non-executive Director.
- (b) To authorize the board of directors of the Company (the “**Board**”) to fix the Directors’ remuneration.
- 3. To re-appoint PricewaterhouseCoopers as the auditors of the Company and to authorize the Board to fix their remuneration.
- 4. To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

(A) “**THAT:**

- (i) subject to paragraph (iii) below, pursuant to the Rules Governing the Listing of the Securities of the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares in the Company, which might require the exercise of such powers be and the same as hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers during or after the end of the Relevant Period;
- (iii) the aggregate number of shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (i) above, otherwise than pursuant to:
 - (1) a Rights Issue (as defined below); or
 - (2) the exercise of any options granted under any share option scheme of the Company adopted from time to time in accordance with the Listing Rules; or
 - (3) any scrip dividend or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or

NOTICE OF ANNUAL GENERAL MEETING

(4) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed the aggregate of:

(a) 20% of the number of issued shares of the Company as at the date of passing this resolution; and

(b) (if the Board is so authorised by resolution numbered 4(C)) the aggregate number of shares of the Company repurchased by the Company subsequent to the passing of resolution numbered 4(B) (up to a maximum equivalent to 10% of the number of issued shares of the Company as at the date of passing resolution numbered 4(B)),

and the approval shall be limited accordingly; and

(iv) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law or any other applicable law of the Cayman Islands to be held; and

(3) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

NOTICE OF ANNUAL GENERAL MEETING

“Rights Issue” means an offer of shares of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares in the Company open for a period fixed by the Directors to holders of shares in the Company on the Company’s register of members on a fixed record date in proportion to their then holdings of shares in the Company (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

(B) “THAT:

- (i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Rules governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), the Companies Law and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (ii) the aggregate number of shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (i) shall not exceed 10% of the aggregate number of issued shares of the Company as at the date of the passing of this resolution (subject to adjustment in the case of subdivision or consolidation of shares), and the authority pursuant to paragraph (i) of this resolution shall be limited accordingly; and
- (iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and

NOTICE OF ANNUAL GENERAL MEETING

- (iv) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
- a) the conclusion of the next annual general meeting of the Company;
 - b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law or any other applicable law of the Cayman Islands to be held; and
 - c) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”
- (C) “**THAT** conditional on the passing of resolutions numbered 4(A) and 4(B) set out in the notice convening this meeting, the general mandate granted to the Directors pursuant to resolution numbered 4(A) set out in the notice convening this meeting be and it is hereby extended by the addition to the aggregate number of shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to or in accordance with such general mandate of an amount representing the aggregate number of shares repurchased by the Company pursuant to or in accordance with the authority granted under resolution numbered 4(B) set out in the notice convening this meeting, provided that such extended number shall not exceed 10% of the aggregate number of shares of the Company in issue at the date of the passing of this resolution (such aggregate number to be subject to adjustment in the case of any conversion of all or any of the shares in the Company into larger or smaller number of shares after the passing of this resolution).”

NOTICE OF ANNUAL GENERAL MEETING

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

“THAT:

- (A) the distribution and/or licensing of the games of the Company, its subsidiaries and PRC consolidated affiliated entities (the **“Group”**) (or the games licensed to the Group by third parties) by Tencent Holdings Limited (**“Tencent”**) and its subsidiaries (**“Tencent Group”**) (the **“Game Distribution by Tencent Group”**) under the game cooperation framework agreement dated November 21, 2018 entered into between the Company and Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (the **“Game Cooperation Framework Agreement”**), details of which are more particularly described in the circular of the Company dated April 29, 2019, be and are hereby approved, confirmed and ratified;
- (B) the revised annual caps for the distribution fees payable by the Group to Tencent Group for the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement for the years ending December 31, 2019 and 2020 (the **“Revised Annual Caps”**) be and are hereby approved, confirmed and ratified; and
- (C) any one executive Director be and is hereby authorized to do all such acts or things and sign all documents deemed necessary, expedient or appropriate by him to give effect to and implement the Game Distribution by Tencent Group under the Game Cooperation Framework Agreement (including the Revised Annual Caps).”

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

Shenzhen, PRC, April 29, 2019

Notes:

1. Any member entitled to attend and vote at the AGM 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.
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.

NOTICE OF ANNUAL GENERAL MEETING

3. To ascertain the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, May 28, 2019 to Friday, May 31, 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Monday, May 27, 2019.
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. With regard to item 2 set out in this notice, the biographical details of the Directors who are proposed to be re-elected at AGM are set out in Appendix I to the Circular.
6. In respect of the resolution numbered 4(A) above, the Directors wish to state that they have no immediate plans to issue any new Shares referred therein. Approval is being sought from the shareholders of the Company as a general mandate for the purposes of the Listing Rules.
7. In respect of resolution numbered 4(B) above, the Directors wish to state that they will exercise the powers conferred by the Repurchase Mandate in circumstances which they deem appropriate and for the benefits of Shareholders. The explanatory statement containing the information necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the Circular.
8. As at the date of this notice, the Board comprises Mr. Chen Xiangyu as Chairman and Executive Director, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Lei Junwen as Executive Directors, Mr. Ma Xiaoyi and Mr. Du Feng as Non-executive Directors, and Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining as Independent Non-executive Directors.