

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION INTO THE UNITED STATES

**IMPORTANT:** You must read the following before continuing. The following applies to the offering circular (the “**Offering Circular**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or the Guarantor (each as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE BONDS AND THE SHARES (TOGETHER, THE “**SECURITIES**”) AND THE GUARANTEE DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

**Confirmation of your Representation:** In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be addressees outside the United States (as defined in Regulation S under the Securities Act). By accepting the e-mail and accessing the attached Offering Circular you shall be deemed to have represented to Merrill Lynch (Asia Pacific) Limited (the “**Manager**”), the Issuer and the Guarantor that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the Securities Act (2) the electronic mail address that you gave to the Issuer and/or the Guarantor and to which this e-mail has been delivered is not located in the United States and (3) you consent to the delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Dreambeyond Holdings Limited (the “**Issuer**”), iDreamSky Technology Holdings Limited (the “**Guarantor**” or the “**Company**”), or the Manager, any person who controls them, or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Manager will provide a hard copy version to you upon request.

**Restrictions:** The attached document is an offering circular and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Guarantor or the Manager to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Manager and its respective affiliates on behalf of the Issuer and/or the Guarantor in such jurisdiction. You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

**Actions that You May Not Take:** You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH THIS OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Dreambeyond Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)

**HK\$775,000,000 3.125 per cent. Convertible Bonds due 2025**  
**convertible into ordinary shares of iDreamSky Technology Holdings Limited**  
**Unconditionally and Irrevocably Guaranteed by**



**iDreamSky Technology Holdings Limited**

**创梦天地科技控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Issue Price: 100 per cent.

The 3.125 per cent. Convertible Bonds due 2025 in the aggregate principal amount of HK\$775,000,000 (the “**Bonds**”) will be issued by Dreambeyond Holdings Limited (the “**Issuer**”) and will be unconditionally guaranteed (the “**Guarantee**”) by iDreamSky Technology Holdings Limited (the “**Guarantor**” or the “**Company**”). The issue price will be 100.00 per cent of the aggregate principal amount of the bonds.

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions of the Bonds (the “**Terms and Conditions**”) or the “**Conditions**”)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.125 per cent. per annum, payable semi-annually in arrear on April 16 and October 16 in each year, commencing on April 16, 2021. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, the Cayman Islands or the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, to the extent described under “*Terms and Conditions of the Bonds — Taxation*”.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the date which is 41 days after October 16, 2020 (the “**Issue Date**”) up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the date falling seven days prior to October 16, 2025 (the “**Maturity Date**”) into fully paid ordinary shares with a par value of US\$0.0001 each of the Company (the “**Shares**”) at an initial conversion price of HK\$4.99 per Share. The conversion price is subject to adjustment in the circumstances described under “*Terms and Conditions of the Bonds — Conversion — Adjustments to Conversion Price*”. The Closing Price (as defined in the Terms and Conditions) of the Shares on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on October 6, 2020 was HK\$4.99 per Share.

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount, together with accrued and unpaid interest thereon, on the Maturity Date. On giving not less than 30 but no more than 60 days’ notice (the “**Optional Redemption Notice**”), the Issuer may (i) at any time after (and excluding) October 16, 2023 and prior to the Maturity Date, redeem the Bonds in whole, but not in part, at their principal amount together with any interest accrued up to but excluding the date specified for redemption in the Optional Redemption Notice, provided that the Closing Price of the Shares for any 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which the relevant Optional Redemption Notice is published was at least 130 per cent. of the Conversion Price then in effect immediately prior to the date upon which the relevant Optional Redemption Notice is given; or (ii) at any time redeem the Bonds in whole, but not in part, at their principal amount together with interest accrued up to but excluding the date of redemption, at any time if, prior to the date the relevant Optional Redemption Notice is given, at least 90 per cent. in aggregate principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 17 (*Further Issues*) of the Terms and Conditions and consolidated and forming a single series therewith) has already been converted, redeemed or purchased and cancelled. The Bonds may also be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice, at their principal amount together with interest accrued up to but excluding the date of redemption in the event of certain changes relating to the Cayman Islands, Hong Kong or PRC taxation, as further described in the Terms and Conditions, subject to the non-redemption option of each holder after the exercise by the Issuer of its tax redemption option, as further described in the Terms and Conditions. The holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds at their principal amount together with interest accrued up to but excluding the date of redemption following the occurrence of a Relevant Event (as defined in the Terms and Conditions). The holder of each Bond will also have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds on October 16, 2023, at their principal amount together with interest accrued up to but excluding such date. See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation*”.

The Guarantor has made application for the pre-issuance registration (the “**Pre-Issuance Registration**”) of the offering of the Bonds with the National Development and Reform Commission of the PRC or its local counterparts (the “**NDRC**”) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”). The Guarantor has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated February 13, 2020 from the NDRC (the “**Pre-Issuance Registration Certificate**”) with respect to the Pre-Issuance Registration, and as at the date of this Offering Circular, the Pre-Issuance Registration Certificate remains valid and in full force and effect. Pursuant to the requirements of the NDRC Circular, the Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe in accordance with the NDRC Circular and any implementation rules and/or regulations as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor or their respective subsidiaries, joint ventures and associates or the Bonds.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**Investing in the Bonds, the Shares and the Guarantee involves certain risks. See the section headed “Risk Factors” in this Offering Circular for a discussion of certain factors to be considered in connection with the investment in the Bonds, the Shares and the Guarantee.**

**The Bonds, the Shares to be issued upon conversion of the Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or other securities laws and, subject to certain exemptions, may not be offered or sold within the United States. The Bonds, the Shares and the Guarantee are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”). For a description of these and certain further restrictions on offers and sales of the Bonds, the Shares to be issued upon conversion of the Bonds and the Guarantee and the distribution of this Offering Circular, see “Subscription and Sale”.**

The Bonds will be represented by beneficial interests in a global certificate (the “**Global Certificate**”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds are not intended to be initially placed and may not be initially placed to “connected persons” of the Issuer and/or the Guarantor as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (“**Connected Persons**”). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer, the Guarantor and Merrill Lynch (Asia Pacific) Limited (the “**Manager**”) that it is not a Connected Person of the Issuer and/or the Guarantor, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer and/or the Guarantor. Each prospective investor will be deemed to have agreed with the Issuer, the Guarantor and the Manager that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the “**SFC**”), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

**Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager**



Offering Circular dated October 13, 2020

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

In connection with the offering, any Manager or any person acting on its behalf may, to the extent permitted by applicable laws and directives, engage in transactions that stabilise or otherwise affect the market price of the Bonds. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Bonds. If the Manager or its agent create a short position in the Bonds in connection with the offering (i.e. if the Manager or its agent sells more Bonds than are set forth on the cover page of this Offering Circular), the Manager or its agent may reduce that short position by purchasing Bonds in the open market. In general, purchases of a Bond for the purpose of stabilisation or to reduce a short position could cause the price of the Bonds to be higher than it might be in the absence of such purchases. Stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may cease at any time and must be brought to an end after a limited period. Neither the Issuer, the Guarantor, the Group nor the Manager make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Guarantor, the Group nor the Manager make any representation that the Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Manager or its respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps, or other derivative transactions, relating to the Bonds, the Shares and/or other securities of the Issuer, the Company or their subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Issuer, the Guarantor or any of its respective subsidiaries.

Listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor and any of their respective subsidiaries taken as a whole (collectively, the “**Group**”), the Bonds or the Shares. In making an investment decision, prospective investors must rely on their examination of the Issuer, the Guarantor, the Group and the terms of this offering, including the merits and risks involved. The Bonds have not been approved or recommended by

any Hong Kong or other regulatory authority. Furthermore, the contents of this offering circular have not been reviewed by any regulatory authority. The foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this Offering Circular. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able or advisable to purchase the Bonds under applicable laws or regulations.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Group, and to the Bonds and Shares, that is material in the context of the issue and offering of the Bonds and according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Shares and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Bonds and the Shares and the Guarantee, (ii) the statements contained in this offering circular relating to the Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading in any material respect, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and have been based on reasonable assumptions, (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular and (v) the statistical, industry and market-related data and forward-looking statements, each of which are included in the Offering Circular, are based on or derived or extracted from sources which the Issuer and the Guarantor believe to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer and the Guarantor solely in connection with the proposed offering of the Bonds and the giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular or the giving of the Guarantee in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds, the giving of the Guarantee by the Guarantor, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

This Offering Circular does not constitute an offer or an invitation by or on behalf of the Manager or the Issuer or the Guarantor to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law in such jurisdictions where such an offer and sale is not permitted. There are restrictions on the offer and sale of the Bonds, the giving of the



Guarantee and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, European Economic Area (“EEA”) and Cayman Islands, and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Shares or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Manager, the Trustee (as defined herein) or the Agents (as defined herein) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds nor the giving of the Guarantee, shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS:** The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”) or in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**Singapore SFA Product Classification** — Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

None of the Manager, The Bank of New York Mellon, London Branch as the trustee (the “Trustee”) or the Agents (as defined in the Conditions) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates has independently verified the information contained in this Offering Circular, and none of them can give any assurance that this information is accurate, truthful or complete. No promise, undertaking, representation or warranty, express or implied, is made or given by the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds or Shares, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, undertaking, representation or warranty, express or implied, by the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Guarantor, the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates that any recipient of this Offering Circular should purchase the Bonds. To the fullest extent permitted by law, none of the Manager, the Trustee or the Agents nor any of their respective directors, officers, employees, agents, advisers, representatives or affiliates accepts any responsibility for the contents of this Offering Circular. Each of the Manager, the Trustee and the Agents and their respective directors, officers, employees, agents, advisers, representatives and affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it or they might otherwise have in respect of this Offering Circular or any such statement. None of the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the financial condition, business, results of operations, prospects or affairs of the Issuer, the Guarantor or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Manager, the Trustee or the Agents.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this offering circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the Offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges to us and the Manager that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) person has not relied on the Manager, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer,

the Guarantor and the Group and the merits and risks involved in investing in the Bonds; and (iii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Guarantor or any of their respective subsidiaries and affiliates or the Bonds (other than as contained herein and information given by the Issuer's and the Guarantor's duly authorized officers and employees in connection with investors' examination of the Issuer and the Guarantor and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Manager.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Bonds (or any beneficial interests therein) from the Issuer, the Guarantor and/or the Manager, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both of their agent and their underlying client.

### **Certain Definitions, Conventions and Currency Presentation**

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. The term “**Issuer**” refers to Dreambeyond Holdings Limited, the terms “**Guarantor**” and “**Company**” refer to iDreamSky Technology Holdings Limited, and the term “**Group**” refers to the Company and its subsidiaries taken as a whole. The terms “we”, “us”, “our” and words of similar import refer to the Issuer, the Company or the Group, as the context requires.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications (“**Third Party Information**”). Although we believe this information to be reliable, it has not been independently verified by us, the Manager or the Trustee or the Agents or our or their respective directors, officers, employees, agents, advisers, representatives or affiliates, and neither we, the Manager, the Trustee or the Agents nor our or their respective directors, officers, employees, agents, advisers, representatives or affiliates make any representation as to the accuracy or completeness of Third Party Information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this Offering Circular relating to the PRC and the gaming industry in the PRC were taken or derived from various government and private publications. None of the Manager, the Trustee and the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates do not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.



In this Offering Circular, all references to “**U.S.\$**” and “**U.S. dollars**” are to United States dollars, the official currency of the United States of America (the “**United States**” or “**U.S.**”); all references to “**HK\$**” and “**H.K. dollars**” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**” or “**HK**”); and all references to “**RMB**” or “**Renminbi**” are to Renminbi, the official currency of the People’s Republic of China, or the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.0651 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020, and all translations from HK dollars into U.S. dollars were made at the rate of HK\$7.7501 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or *vice versa*, at any particular rate or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the Group are to the Company and its subsidiaries, all references to the “**PRC**,” “**China**” and “**mainland China**” are to the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan), all references to the “**United States**” and “**U.S.**” are to the United States of America, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Hong Kong dollars**” and “**HK\$**” are to the lawful currency of Hong Kong, all references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC and all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be exchanged into Renminbi at those rates or any other rate at all.

In this Offering Circular, the English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations or transliterations of their Chinese names and are included for identification purposes only.

## INCORPORATION BY REFERENCE

The audited consolidated financial statements of the Group (including the notes thereto) which are contained in pages 73 to 181 of the annual report of the Company for the year ended December 31, 2018 (the “**2018 Annual Report**”) and pages 95 to 213 of the annual report of the Company for the year ended December 31, 2019 (the “**2019 Annual Report**”), and the unaudited but reviewed interim condensed consolidated financial information of the Group (including the notes thereto) which are contained in pages 24 to 75 of the interim report of the Company for the six months ended June 30, 2020 (the “**2020 Interim Report**”) are incorporated by reference in this Offering Circular. Copies of the audited consolidated financial statements for the years ended December 31, 2018 and 2019 of the Company and the unaudited but reviewed interim condensed consolidated financial information for the six months ended June 30, 2020 of the Company are available and may be (i) obtained free of charge at the specified office of the Company at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong; or (ii) downloaded free of charge from the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). The Group’s consolidated financial statements for the years ended December 31, 2018 and 2019 have been prepared and presented in accordance with the International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board and have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (“**ISAs**”) issued by the International Auditing and Assurance Standards Board (the “**IAASB**”). The Group’s unaudited but reviewed interim condensed consolidated financial information for the six months ended June 30, 2020 have been prepared and presented in accordance with International Accounting Standard 34 “Interim Financial Reporting” and have been reviewed by PricewaterhouseCoopers in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“**ISRE 2410**”) issued by the IAASB.

## FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will”, “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed under “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as of the date of this Offering Circular. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Offering Circular to reflect any change in the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, the Group or any member of the Group to be materially different include, among others:

- our operations and business prospects,
- Our business and operating strategies and our ability to implement such strategies,
- projections of capital expenditures in general and other financial items,
- generation of future receivables,
- expected sales volume,
- government support and potential regulatory developments,
- our dividend policy,

- changes in regulatory and operating conditions in the industry and geographical markets in which we operate, and
- environmental compliance and remediation.

Such statements are subject to various risks and uncertainties, including:

- changes in global economic, political and social conditions,
- changes in economic and political conditions and increases in regulatory burdens in the PRC and other countries in which we operate, transact business or have interests,
- accidents and natural disasters,
- changes in levies or taxes, either in international markets or in the PRC,
- changes in laws, regulations, taxation or accounting standards or practices,
- currency, interest rate, price and credit risks,
- the risks of increasing expenditures and investments,
- uncertainty of technological change,
- the ability of third parties to perform in accordance with contractual terms and specifications,
- acquisitions or divestitures,
- potential disputes with international and domestic joint venture partners, and
- other factors, including those discussed in “*Risk Factors*”.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” and elsewhere in this Offering Circular. The Issuer and the Guarantor caution investors not to place undue reliance on these forward-looking statements which reflect their managements’ view only as at the date of this Offering Circular.

The Issuer, the Guarantor and the Group do not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

## SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.*

### Overview

We are a digital entertainment platform with a leading position in the game publishing market in China, with 142 million average MAUs for the six months ended June 30, 2020.

We operate games as a service. We adopt a free-to-play model for all of our games, constantly enrich content offerings and in-game social functions to users and generate revenue from sales of in-game virtual items, whereby we prolong game lifecycle and enhance user engagement to achieve monetization. We have also expanded our service offerings to other digital entertainment areas, such as e-sports, comics and video.

We believe our organic growth has been fueled by our *iDreamSky Flywheel*, each component, being an accelerator, will further empower all other components, and therefore form a self-spinning and reinforcing growth cycle, as illustrated below:

- We strive to offer high-quality content to users as the core of our growth philosophy;
- We believe high-quality content will effectively attract users and hence build a massive user base;
- Leveraging our user insights, technology and industry resources, we offer diversified digital entertainment services to enhance user stickiness and engagement;
- Our strong operational capabilities enable us to maximize user value and achieve strong monetization;
- Success in commercialization attracts top-tier content providers and empowers our game development, which sustain our supply of quality content.

As a result, we have achieved a track record of consistently and successfully launching popular games in China, such as *Subway Surfers* (地鐵跑酷), *Temple Run 2* (神廟逃亡2), *Gardenscapes* (夢幻花園) and *Homescapes* (夢幻家園).

Leveraging our in-depth user insights, our content development capabilities have been effectively enhanced. As at June 30, 2020, we had self-developed games across a wide range of game genres, including role-playing games (“**RPGs**”), endless running, matching puzzle and causal competition games. In addition, our user traffic has also enabled us to provide advertising services.

Our revenue increased from RMB2,364.6 million in 2018 to RMB2,793.0 million in 2019, and increased from RMB1,431.3 million in the first half of 2019 to RMB1,591.6 million in the first half of 2020. Our profit for the years ended 2018 and 2019, and for the six months ended June 30, 2020 were RMB267.8 million, RMB360.4 million and RMB147.9 million, respectively. Our adjusted profit for the years ended 2018 and 2019, and for the six months ended June 30, 2020 were RMB443.6 million, RMB553.2 million and RMB215.4 million, respectively.

### **Our Competitive Strengths**

We believe the following competitive strengths contribute to our success and position, as well as our continued growth described below:

- Large and highly engaged user network;
- Global game sourcing and strong operating capabilities;
- A synergetic business model empowered by complementary game publishing and development capabilities;
- Diversified digital entertainment resources for content and service offerings;
- Strong data analytics and robust technology; and
- Experienced management team with profound industry insights and strong execution capability.

### **Our Strategies**

We intend to pursue the following strategies to further grow our business:

- Enrich high-quality content offered to users;
- Further expand user base and enhance user engagement;
- Achieve stronger monetization;
- Pursue strategic alliances and investment opportunities;



- Continue to invest in technology and strengthen research and development capabilities;
- Enhance our global presence; and
- Embrace the cloud games wave.

## THE OFFERING

*The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds”.*

Issuer.....	Dreambeyond Holdings Limited
Guarantor .....	iDreamSky Technology Holdings Limited
Group .....	Guarantor together with its subsidiaries, including without limitation, the Issuer
Issuer Legal Entity Identifier (“LEI”).....	549300IKI7RRU8M3FR91
The Bonds .....	HK\$775,000,000 3.125 per cent. Guaranteed Bonds due 2025
Shares.....	Ordinary shares of par value US\$0.0001 each in the issued share capital of the Company
Issue Price.....	100.00 per cent of the principal amount of the Bonds.
Form and Denomination.....	The Bonds are in registered form in the denomination of HK\$2,000,000 and integral multiples of HK\$1,000,000 in excess thereof.
Issue Date .....	October 16, 2020
Maturity Date .....	October 16, 2025
The Offering .....	The Bonds are being offered outside the United States in reliance on Regulation S (Category 1) under the Securities Act. See “ <i>Subscription and Sale</i> ” in this Offering Circular.
Interest .....	3.125 per cent. per annum, payable semi-annually on April 16 and October 16
Use of Proceeds .....	The net proceeds from the sale of the Bonds will be used for the Group’s research and development of its own games and supplementing its working capital for strategic opportunities in the future. See “ <i>Use of Proceeds</i> ”.

Status of Bonds .....	The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) ( <i>Covenants — Negative Pledge</i> ) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee .....	The Guarantee constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(A) ( <i>Negative Pledge</i> )) of the Terms and Conditions) unsecured obligations of the Guarantor and will rank <i>pari passu</i> among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured and unsubordinated obligations of the Guarantor.
Negative Pledge .....	The Bonds will contain a negative pledge provision as described in Condition 4(A) ( <i>Negative Pledge</i> ) of the Terms and Conditions.
Cross Acceleration .....	The Bonds are subject to a cross-acceleration provision in respect of (a) may be accelerated in the event of, <i>inter alia</i> , a default relating to the Issuer or the Guarantor or any of their respective Subsidiaries (as defined in the Terms and Conditions) in respect of indebtedness which equals or exceeds U.S.\$10,000,000 or its equivalent in any other currency. For a description of certain other events that will permit acceleration of repayment of the principal amount together with accrued interest (if any) of the Bonds, see " <i>Terms and Conditions of the Bonds — Events of Default</i> ".

Events of Default .....	<p>Upon the occurrence of certain events as described in Condition 10 (<i>Events of Default</i>) of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (subject to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become due and repayable at their principal amount together with accrued interest (if any) up to but excluding the date of payment (subject to the provisions of Condition 10 (<i>Events of Default</i>) of the Terms and Conditions of the Bonds and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6 (<i>Conversion</i>)).</p>
Taxation .....	<p>All payments of principal, premium (if any) and interest made by or on behalf of the Issuer or the Guarantor in respect of the Bonds shall be made free from any restriction or condition, and be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong, the Cayman Islands or the PRC or any authority thereof or therein having power to tax, unless deduction or withholding is required by law. If the Issuer or the Guarantor, as the case may be, is required to make a deduction or withholding (i) by or within the PRC in excess of the aggregate rate applicable on October 6, 2020 or (ii) by or within Hong Kong or the Cayman Islands, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except in circumstances specified in Condition 9 (<i>Taxation</i>) of the Terms and Conditions. See “<i>Terms and Conditions of the Bonds — Taxation</i>”</p>

Conversion Right and Period .....	<p>Subject as provided in the Terms and Conditions, each Bond shall entitle the holder to convert such Bond into Shares credited as fully paid at any time during the Conversion Period referred to below (the “<b>Conversion Right</b>”). Subject to and upon compliance with the Terms and Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the Bondholder, at any time (a) on or after the date which is 41 days after the Issue Date (both dates inclusive) up to the close of business on the date falling seven days prior to the Maturity Date (both days inclusive), (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business on a date no later than 15 days (both days inclusive) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the Bondholder pursuant to Conditions 8(D) (<i>Redemption for Relevant Event</i>) and 8(E) (<i>Redemption at the Option of Bondholders</i>) of the Terms and Conditions, up to the close of business on the business day prior to the giving of such notice. See “<i>Terms and Conditions of the Bonds — Conversion Right</i>”.</p>
Conversion Price .....	<p>The price at which Shares will be issued upon exercise of a Conversion Right will initially be HK\$4.99 per Share, which will be subject to adjustments for, among other things, consolidation, subdivision, redesignation or reclassification, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, Change of Control (as defined in the Terms and Conditions) and certain other dilutive events. See “<i>Terms and Conditions of the Bonds — Conversion — Adjustments to Conversion Price</i>”.</p>
Final Redemption .....	<p>Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions of the Bonds, the Bonds will be redeemed at their principal amount together with accrued and unpaid interest thereon on the Maturity Date. See “<i>Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Maturity</i>”.</p>

<p>Redemption for Taxation Reasons....</p>	<p>The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with the Terms and Conditions (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption, at their principal amount together with interest accrued up to but excluding the date of redemption (if any), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after October 6, 2020, and (ii) such obligation cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that its Bonds shall not be redeemed. Upon a Bondholder electing not to have its Bonds redeemed in such circumstances, any payments due after the relevant date of redemption shall be made subject to any deduction or withholding of any taxation required to be deducted or withheld. See <i>“Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons”</i>.</p>
<p>Redemption at the option of the Issuer. ....</p>	<p>On giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) and to the Bondholders, the Issuer may:</p>



- (i) at any time after (and excluding) October 16, 2023 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount together with any interest accrued but unpaid up to but excluding the date specified for redemption in the relevant redemption notice, provided that the closing price of the Shares for any 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which the relevant optional redemption notice is published was at least 130 per cent. of the Conversion Price then in effect immediately prior to the date upon which the relevant optional redemption notice is given; or
- (ii) at any time redeem in whole, but not in part, the Bonds at their principal amount together with interest accrued but unpaid up to but excluding the optional redemption date if, prior to the date the relevant optional redemption notice is given, conversion rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued and consolidated and forming a single series therewith).

See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption at the Option of the Issuer*”.

Redemption for Relevant Event ..... Following the occurrence of a Relevant Event, the Bondholders will have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds at their principal amount together with interest accrued up to but excluding the date of redemption (if any).

A “**Relevant Event**” occurs when:

- (i) the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange,
- (ii) less than 25 per cent. of the Company’s total number of issued shares are held by public; or
- (iii) there is a Change of Control (as defined in the Terms and Conditions).

See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Relevant Event*”.

Redemption at the Option of the

Bondholders.....

The holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds on October 16, 2023 (the “**Optional Put Date**”) at their principal amount together with interest accrued up to but excluding such date. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) at the specified office of any Paying Agent a duly completed and signed exercise notice, in the form for the time being current, obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) from the specified office of any Paying Agent together with the Certificate evidencing the Bonds to be redeemed by not more than 60 nor less than 30 days prior to the Optional Put Date. See “*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — at the Option of Bondholders*”.

Ratings .....

The Bonds are not, and are not expected to be, rated by any rating agency.

Further Issues .....	The Issuer may from time to time, without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest and the time for the submission of the NDRC Post-issue Filing), subject to the satisfaction of certain conditions described under Condition 17 ( <i>Further Issues</i> ) of the Terms and Conditions of the Bonds, and so that such further issue shall be consolidated and form a single series with the outstanding Bonds.
Trustee .....	The Bank of New York Mellon, London Branch
Principal Paying Agent, Principal Conversion Agent .....	The Bank of New York Mellon, London Branch (the “ <b>Principal Agent</b> ”)
Registrar and Transfer Agent .....	The Bank of New York Mellon SA/NV, Luxembourg Branch
Clearing Systems.....	The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.
Governing Law.....	The Trust Deed, the Agency Agreement and the Bonds, and any non-contractual obligations arising out of or in connection with them, are to be governed by and shall be construed in accordance with English law.
Listing and Trading of the Bonds.....	Application has been made to the SGX-ST for listing of and quotation for the Bonds on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$2,000,000 (or its equivalent in other currencies) for as long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Listing of Shares .....	An application for the listing of the new Shares to be issued upon conversion of the Bonds on the Hong Kong Stock Exchange has been submitted to the Hong Kong Stock Exchange.

Selling Restrictions .....	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, EEA and UK and Cayman Islands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see “ <i>Subscription and Sale</i> ”.
ISIN .....	XS2241386874
Common Code.....	224138687

## SUMMARY FINANCIAL INFORMATION

*The following tables set forth the summary financial information of the Group as at and for the periods indicated.*

*The summary financial information of the Group as at and for the years ended December 31, 2017, 2018 and 2019 set forth below is derived from the Group's audited consolidated financial statements as at and for the years ended December 31, 2018 and 2019 (which have been audited by PricewaterhouseCoopers). The summary financial information of the Group as at June 30, 2020 and for the six months ended June 30, 2019 and 2020 set forth below is derived from the Group's unaudited but reviewed interim condensed consolidated financial information as at and for the six months ended June 30, 2020 (which have been reviewed by PricewaterhouseCoopers). Potential investors should exercise caution when using such information to evaluate the Group's financial condition and results of operations. In addition, the Group's historical financial information should not be taken as an indication of its future financial performance.*

*In preparing the Group's consolidated financial statements for the year ended December 31, 2019, the Group has adopted IFRS 16 "Leases" ("**IFRS 16**") with effect from January 1, 2019 and has not restated prior years' consolidated financial statements. Therefore, the Group's consolidated financial statements for the year ended December 31, 2019 is not comparable with the Group's consolidated financial statements for the years ended December 31, 2017 and 2018. For the impact on adoption of IFRS 16, please refer to note 2.2 to the consolidated financial statements for the year ended December 31, 2019 included in the 2019 Annual Report.*

*The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant financial statements of the Group, including the notes thereto, which are included elsewhere in this Offering Circular.*

## Summary Consolidated Statements of Comprehensive Income

	For the years ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
		(Audited) (RMB'000)		(Unaudited) (RMB'000)	
<b>Revenues</b> . . . . .	1,763,548	2,364,641	2,792,970	1,431,303	1,591,643
Cost of revenues . . . . .	(1,054,120)	(1,325,818)	(1,567,232)	(755,700)	(906,850)
Gross profit . . . . .	709,428	1,038,823	1,225,738	675,603	684,793
Selling and marketing expenses. . . . .	(203,073)	(303,373)	(293,343)	(131,154)	(192,180)
General and administrative expenses . . .	(203,119)	(284,655)	(250,275)	(126,410)	(122,088)
Research and development expenses. . . .	(105,742)	(99,102)	(191,077)	(95,641)	(112,489)
Net impairment losses on financial assets and contract assets. . . . .	(10,625)	(30,189)	(70,016)	(28,555)	(35,845)
Other income. . . . .	30,809	15,249	28,337	16,936	14,033
Other (losses)/gains, net . . . . .	(5,579)	3,244	(95,802)	(50,955)	(2,144)
Fair value losses on financial assets at fair value through profit or loss. . . . .	(1,708)	(10,631)	74,672	(5,141)	7,434
<b>Operating profit</b> . . . . .	210,391	329,366	428,234	254,683	241,514
Finance income. . . . .	7,670	16,358	11,239	1,140	4,355
Finance costs. . . . .	(45,476)	(51,023)	(46,889)	(22,695)	(48,347)
Finance cost, net. . . . .	(37,806)	(34,665)	(35,650)	(21,555)	(43,992)
Loss from change in fair value of convertible bonds. . . . .	—	—	—	—	(27,748)
Share of net profits of investments accounted for using the equity method. . . . .	1,107	2,346	(1,999)	(253)	(2,450)
<b>Profit before income tax</b> . . . . .	173,692	297,047	390,585	232,875	167,324
Income tax expense. . . . .	(21,788)	(29,214)	(30,188)	(22,638)	(19,458)
<b>Profit for the year/period</b> . . . . .	151,904	267,833	360,397	210,237	147,866
Other comprehensive income					
Items that may be reclassified to profit or loss					
— Currency translation differences . . .	19,632	(3,883)	21,419	939	21,723
Items that will not be reclassified to profit or loss					
— Currency translation differences . . .	—	43,415	(21,130)	(1,757)	(18,878)
<b>Total comprehensive income for the year/period</b> . . . . .	171,536	307,365	360,686	209,419	150,711



	For the years ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
		(Audited) (RMB'000)		(Unaudited) (RMB'000)	
<b>Profit for the year/period attributable to:</b>					
— Equity holders of the Company . . . . .	150,134	246,384	352,233	178,227	136,986
— Non-controlling interests . . . . .	1,770	21,449	8,164	32,010	10,880
	151,904	267,833	360,397	210,237	147,866
<b>Total comprehensive income attributable to:</b>					
— Equity holders of the Company . . . . .	169,766	285,916	352,522	177,409	139,831
— Non-controlling interests . . . . .	1,770	21,449	8,164	32,010	10,880
	171,536	307,365	360,686	209,419	150,711
<b>Earnings per share</b>					
— Basic earnings per share ( <i>in RMB</i> ) . . .	0.15	0.23	0.29	0.15	0.11
— Diluted earnings per share ( <i>in RMB</i> ) . .	0.15	0.23	0.28	0.14	0.11
<b>Summary Consolidated Statements of Financial Position</b>					
	As at December 31,			As at June 30,	
	2017	2018	2019	2020	
		(Audited) (RMB'000)		(Unaudited) (RMB'000)	
<b>ASSETS</b>					
<b>Non-Current assets</b>					
Property, plant and equipment . . . . .	27,575	26,893	31,712	28,988	
Construction in progress . . . . .	—	—	—	6,355	
Intangible assets . . . . .	305,519	682,702	1,419,264	1,625,405	
Investment properties . . . . .	—	—	26,012	25,625	
Right-of-use assets . . . . .	—	—	46,177	119,460	
Investments accounted for using the equity method . . . . .	174,485	284,896	406,708	420,806	
Financial assets at fair value through profit or loss . . . . .	214,841	267,506	354,320	345,730	
Prepayments and other receivables . . .	4,489	41,480	79,014	225,530	
Goodwill . . . . .	—	989,233	566,902	566,902	
Contract asset . . . . .	—	21,653	4,131	3,229	
Deferred tax assets . . . . .	21,745	36,496	51,483	52,435	
	748,654	2,350,859	2,985,723	3,420,465	
<b>Current assets</b>					
Trade receivables . . . . .	630,216	820,894	1,005,256	1,296,643	
Amounts due from related parties . . .	16,192	39,032	8,523	18,574	
Prepayments and other receivables . . .	670,473	1,031,745	1,285,881	1,158,928	

	As at December 31,			As at June 30,
	2017	2018	2019	2020
		(Audited) (RMB'000)		(Unaudited) (RMB'000)
Contract asset.....	—	26,440	2,122	1,963
Contingent consideration assets. ....	—	20,089	—	—
Contract costs .....	93,915	119,824	151,967	167,222
Financial assets at fair value through profit or loss .....	—	87,547	114,544	125,651
Restricted cash.....	7,800	—	—	51,787
Cash and cash equivalents. ....	605,075	1,121,641	532,746	675,387
	<u>2,023,671</u>	<u>3,267,212</u>	<u>3,101,039</u>	<u>3,496,155</u>
<b>Total Assets .....</b>	<b><u>2,772,325</u></b>	<b><u>5,618,071</u></b>	<b><u>6,086,762</u></b>	<b><u>6,916,620</u></b>

	As at December 31,			As at June 30,
	2017	2018	2019	2020
		(Audited) (RMB'000)		(Unaudited) (RMB'000)
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital . . . . .	—	75	75	75
Share premium . . . . .	—	2,542,476	2,542,476	2,542,476
Reserves . . . . .	1,224,591	254,552	379,654	446,324
Retained earnings . . . . .	106,781	329,898	635,353	755,712
	1,331,372	3,127,001	3,557,558	3,744,587
<b>Non-controlling interests . . . . .</b>	<b>5,322</b>	<b>51,105</b>	<b>388,035</b>	<b>398,915</b>
<b>Total equity . . . . .</b>	<b>1,336,694</b>	<b>3,178,106</b>	<b>3,945,593</b>	<b>4,143,502</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings . . . . .	3,159	129,805	254,148	816,512
Lease liabilities . . . . .	—	—	26,559	17,179
Convertible bonds . . . . .	—	—	—	235,611
Deferred government grants . . . . .	15,580	5,429	2,417	2,257
	18,739	135,234	283,124	1,071,559
<b>Current liabilities</b>				
Borrowings . . . . .	996,929	984,357	1,016,291	820,300
Lease liabilities . . . . .	—	—	22,366	20,411
Trade payables . . . . .	149,540	153,001	160,793	203,202
Amounts due to related parties . . . . .	—	21,159	21,159	18,949
Other payables and accruals . . . . .	91,340	885,046	317,045	324,279
Income tax liabilities . . . . .	19,918	40,766	45,480	39,118
Deferred government grants . . . . .	4,355	11,626	9,452	5,400
Contract liabilities . . . . .	154,810	208,776	265,459	269,900
	1,416,892	2,304,731	1,858,045	1,701,559
<b>Total liabilities . . . . .</b>	<b>1,435,631</b>	<b>2,439,965</b>	<b>2,141,169</b>	<b>2,773,118</b>
<b>Total equity and liabilities . . . . .</b>	<b>2,772,325</b>	<b>5,618,071</b>	<b>6,086,762</b>	<b>6,916,620</b>

## RISK FACTORS

*Prospective investors should consider carefully all of the information presented in this Offering Circular and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. This Offering Circular contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this Offering Circular. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this Offering Circular.*

*You should carefully read and consider all of the information in this Offering Circular including the risks and uncertainties described below before deciding to make any investment in the Bonds or Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties.*

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

**If we fail to maintain and grow our user base or keep our users engaged through our games, we will not be able to sustain our growth, and our business may be materially and adversely affected.**

In order to achieve sustainable growth of our business, we must retain our existing users, attract new users, maximize the network effect of our platform and ultimately improve our monetization. This requires that we consistently launch popular games and release updates of our existing games to keep our users engaged and, therefore, loyal to our platform of games. It also requires that we continue to strengthen the social connectivity of our platform to encourage viral social marketing and enhance user engagement. Despite our efforts in sourcing and developing high-quality games, we cannot guarantee that the games we launch will gain popularity within a short period of time, if at all. Neither can we guarantee that popular games that we have will continue to sustain their current level of popularity. Users may lose interest in our games over time despite our efforts in offering a diversified portfolio of games and improving or upgrading our existing games. Users may not choose our games or services if our technology becomes unreliable. Users may choose to play games offered by other platforms if those platforms offer better game services or social networking experience. Our user base may not increase at the rate we anticipate or at all. Our failure to effectively expand our user base will materially and adversely affect our business, financial condition, results of operations and growth prospects.

**If we fail to monetize our users effectively, our business may suffer.**

A substantial majority of the games we publish are free to download and play, adopting an item-based revenue model, and, in line with the industry norms, only a small percentage of users who play our games in any period are paying users. As such, in order to sustain our revenue growth, we must effectively monetize our user base by converting active users to paying users and by encouraging paying users to spend more on our games. We invest in user data analysis to better understand our users' in-game consumption patterns. This allows us to create localized and culturally-adapted editions of overseas games and to refine domestic games, as well as design virtual items that are desirable to mobile users in China, and to properly deploy and price them to enhance our monetization. Spending in our games is discretionary and our users can be sensitive to the price, undermining our ability to convert active users to paying users. To stimulate in-game spending, we need to constantly launch marketing and promotional activities to drive user interest. We must also provide easy, fast and safe payment solutions to our users to facilitate in-game purchasing so they are not discouraged or inconvenienced by online payment processing procedures. If we fail to effectively monetize our users, our business will suffer.

**We work with game developers to provide games to our users. Any loss or deterioration of our relationship with our game developer partners may materially and adversely affect our business and results of operations.**

We work with game developers to publish games on our platform. We have benefited from some of these developers' strong brand recognition and the success of their games in domestic and overseas markets. Due to our strong relationship with many of our game developer partners, we are able to obtain the source code of many games, which allows us to play a more substantial role in the games' operation in China. We believe this is crucial to build and expand our user base which further contributes to the success of our platform, as well as enhances our ability to operate and monetize our games. However, we may not be able to maintain stable relationships with our game developer partners. Any failure on our part to help our game developer partners effectively localize, operate and monetize their games would adversely affect our relationship with them and further affect our business and results of operations.

The term of our license agreements with game developers is typically from one to five years, renewable upon both parties' consent. Our game developer partners may terminate our agreements prior to their expiration voluntarily or as a result of our non-compliance with the terms or conditions, or they may refuse to renew the agreements. Even if they are willing to renew the agreements, they may demand commercial terms less favorable to us than our existing agreements. They may choose to partner with our competitors, allowing our competitors to enhance their game portfolio and better compete against us. They may also fail to perform their obligations under the license agreements, such as delivering the source code of the games on a timely basis, and the parties may fail to reach timely agreement on the version of the game to be published and the publication plan, which will cause delays in the game launch schedule on our platform. In addition, as we continuously enhance our in-house game development capabilities, our game

developer partners may view us as current or potential competitors, and therefore adversely impact our relationship with them. Any loss or deterioration of our relationship with any of our game developer partners may result in a loss of revenues and materially and adversely affect our business and results of operations.

**If we fail to obtain pre-approval for publication of online games from SAPPRFT before launch of our games in a timely manner, we will not be able to launch new games as scheduled.**

Publishing and commercial launch of mobile games is subject to pre-approval by the the State Administration of Press, Publication, Radio, Film and Television (“**SAPPRFT**”, which is reformed and known as the State Administration of Radio and Television and the National Administration of Press and Publication (National Copyright Bureau) since March 2018). Therefore, online games operated by us shall undertake the pre-approval with the SAPPRFT. Going forward, if any online games operated, or to be operated, on our platforms fail to complete such pre-approval filing procedures in time, or at all, these games may not be allowed to be released or may be ordered to be suspended or cease operation, and the entities we control through contractual arrangements, namely Shenzhen iDreamSky Technology Co., Ltd (“**Shenzhen iDreamSky**”) and its subsidiaries (together with Shenzhen iDreamSky, the “**PRC Consolidated Affiliated Entities**”). may suffer certain adverse effects, including loss of revenue.

**Rapidly evolving PRC regulatory environment of the mobile gaming industry could impact our ability to launch and publish new games and maintain our financial performance going forward.**

The regulatory environment of the mobile gaming industry is evolving rapidly. On August 30, 2018, eight PRC regulatory authorities at national government level, including the National Administration of Press and Publication (the “**NAPP**”) and the Ministry of Education, released the Implementation Program on Comprehensive Prevention and Control of Juveniles Myopia (《綜合防控兒童青少年近視實施方案》) (the “**Implementation Program**”). As a part of the plan to prevent myopia among children, the Implementation Program plans to regulate the number of new online games and restrict the amount of time juveniles spend playing on electronic devices.

On 25 October 2019, the NPPA issued the Notice on Preventing Minors from Indulging in Online Games (《國家新聞出版署關於防止未成年人沉迷網絡遊戲的通知》) which became effective on 1 November 2019 and has imposed a number of restrictions on mobile games, including the duration of time that minors can spend on mobile games as well as the purchase amount they can spend in these mobile games. Failure to comply with these requirements may subject us to penalties, such as, without limitation, suspension or restriction of our games from being operated, rejection, or suspension, of the application for approval or filing of our games in China, which could have a material adverse effect on our business, financial condition, results of operations and prospects.



**The market in which we operate is highly competitive. If we are unable to compete effectively against our competitors, our business and operating results may be materially and adversely affected.**

We face competition in several major aspects of our business, particularly from companies that publish and operate mobile games. Our competitors may have substantially more financial, technical and other resources, longer operating histories in businesses such as mobile games and online advertising, as well as broader product offerings and larger market share. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance. The mobile games industry in China is highly competitive, which is characterized by the frequent introduction of new products and services, short product lifecycles, evolving industry standards, rapid adoption of technological and product advancements, as well as price sensitivity on the part of users. In addition, our mobile game business faces competition from other entertainment formats and mobile apps and content, such as mobile music, mobile books and social network services. If we are not able to effectively compete in one or more of our business lines, our overall user base and level of user engagement may decrease, which could reduce the number of our paying users and make us less attractive to game developers, and other business partners. If we fail to compete effectively, our market share may decrease and our results of operations may be materially and adversely affected.

**A small number of games generate a substantial amount of our revenues; if we fail to launch new popular games or extend the lifecycle of our existing top grossing games we may not be able to maintain or grow our revenue and our financial results could be adversely affected.**

We generated a substantial portion of our total revenues from our five top grossing games in 2017, 2018 and 2019 and for the six months ended June 30, 2020, respectively. We must identify and launch new games that potentially can gain widespread popularity and become revenue growth drivers. It is difficult to consistently anticipate user preference on a large scale. While we continue to invest significant resources in the launch of new games, we cannot assure you that new games, game editions or updates will be popular among our users and become profitable. In addition, our top games may have a finite life-span and may fall out of favor from users. As a result, we try to maximize the lifecycle of our popular games by developing, releasing and marketing new editions or updates that will continue to engage our users, or by promoting those games among potential users. Failing to extend the life of our top-grossing games will materially and adversely affect our revenue growth and financial results.

**Our new games may attract players away from our existing games, which may have a material adverse effect on our business, financial conditions, results of operations and prospects.**

Our new games may attract players away from our existing games and shrink the player base of our existing games, which could in turn make those existing games less attractive to other players, resulting in decreased revenue from our existing games. Players of our existing games

may also spend less money purchasing virtual items and premium features in our existing games than they would have spent if they had continued playing our existing games without the introduction of new games. The occurrence of any of the above may have a material adverse effect on our business, financial condition, results of operations and prospects. Our new games may attract players away from our existing games. If we fail to capture and retain a significant portion of mobile game players, our business, financial condition, results of operations and prospects will be materially and adversely affected.

**We work with third-party channels to distribute our games. Our business and results of operations may be materially and adversely affected if they breach their obligations to us or if we fail to maintain relationships with a sufficient number of distribution channels.**

In addition to our proprietary distribution channels, which include in-game cross promotions and are self-operated, we publish our games through third-party distribution channels, including application stores, social network platforms and other channels. We rely on these third parties to promote and publish our games, record gross billings, maintain the security of their channels to prevent fraudulent activities, provide a certain portion of user services and, on some occasions, process payments from users. We may be negatively impacted if these third-party channels fail to effectively promote our games or otherwise fulfill their obligations to us or if they do not obtain or maintain relevant government licenses to distribute our games. If our collaboration with a major third-party platform terminates for any reason, we may not be able to find a replacement in a timely manner and the distribution of our games may be adversely affected. Any failure on our part to maintain good relationships with a sufficient number of popular distribution channels could cause the number of our game downloads and activations to decrease, which will have a material adverse effect on our business, financial condition and results of operations.

**If we fail to maintain and enhance our capabilities for porting games to a broad array of mobile devices, particularly those running the Android operating system, our revenue and financial results could suffer.**

Unlike the Apple ecosystem in which Apple controls both the device (iPhone, iPod Touch and iPad) and the storefront (Apple's App Store), the Android ecosystem is highly fragmented since a large number of OEM manufacturers sell Android-based devices that run a variety of versions of the Android operating system, and there are many Android-based application stores. For us to sell our games to the widest possible audience of Android users, we must port our games to a significant number of Android-based devices that are commercially available, many of which have different technical requirements. The additional costs incurred could harm our business, operating results and financial condition. In addition, we must continue to increase the efficiency of our porting processes or it may take us longer to port games to an equivalent number of devices, which would negatively impact our margins. If we fail to maintain or enhance our porting capabilities, our revenue and financial results could suffer.

**Our ability to monetize our users is subject to third-party payment processing-related risks.**

We offer our users a variety of mobile payment solutions available in China, including direct billing by mobile carriers and payment through third-party partners. We rely on payment channel partners to provide payment processing services to our users, which subjects us to payment collection issues that are beyond our control, or even fraud and other illegal activities in connection with these various payment methods.

Our payment channel partners are entitled to a prescribed percentage of the gross billings charged to our users. If these partners fail to remit to us the proceeds collected from our users in a timely fashion or at all, or if these platforms become unwilling or unable to provide these services to us or if their service quality deteriorates, our business could be disrupted. Our payment channel partners are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for them to comply with. If our payment channel partners fail to comply with these rules or requirements, they may be subject to fines and higher transaction fees and lose their ability to accept credit and debit card payments, process electronic funds transfers or facilitate other types of online payments from our users. This would materially and adversely affect our ability to monetize our users.

**We may recognize impairment charges on our intangible assets**

We had intangible assets of RMB1,625.4 million as of June 30, 2020. Pursuant to applicable accounting standards, intangible assets such as goodwill that are not amortized are subject to assessment for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment may be further affected by the assumptions used in cash flow generated from relevant intangible assets and the estimated useful life of intangible assets, which, in turn, may have a material adverse impact on our results of operations.

**Failure or delay in collecting trade receivables could affect our liquidity and results of operations.**

We extend credit terms of up to 90 days to third-party distribution channels, third party payment channels and mobile carriers and advertising while requiring no collateral. Our management conducts periodic review on the aging condition of our trade receivables and evaluates the likelihood of collection based on each individual customer's situation and ability to pay in full. However, we cannot guarantee collection of amounts due from our business partners in a timely manner. As of June 30, 2020, we had a significant amount of RMB911.2 million

outstanding trade receivables aging over more than 3 months. If we experience further delays or failure in collecting the outstanding trade receivables, our liquidity could be severally affected, as well as our results of operations.

**We may fail to realize the anticipated benefits from our acquisition of the majority equity interests in Shanghai Huohun.**

We acquired 70% equity interest of Shanghai Huohun Internet Technology Co., Ltd. (上海火魂網絡科技有限公司) (“**Shanghai Huohun**”) in August 2018. While we expect the acquisition to create synergies between Shanghai Huohun and our existing business, and to bring us additional talents and expand our game portfolio, we may not be able to effectively integrate Shanghai Huohun’s operations with our other operations, retain the talents, or otherwise obtain the desired benefits from the acquisition. Also, the results of operations of Shanghai Huohun might not meet our expectation. We incurred significant expenses related to the acquisition. We cannot assure you that we will be able to realise our desired benefits and recover those expenses eventually.

In connection with us obtaining control of Shanghai Huohun, the selling shareholders have provided a profit guarantee in our favor. However, we cannot assure you that the amount we are able to recover under the profit guarantee, if any, will be sufficient to cover any loss we may bear from this acquisition.

In addition, we financed our acquisition of the majority equity interests in Shanghai Huohun mainly through short-term borrowings from co-investors. The borrowings led to increased interest expenses which can materially and adversely affect our business, financial condition and results of operations.

In addition, we recognized goodwill of approximately RMB1.0 billion during the year ended December 31, 2018 in connection with the acquisition of Shanghai Huohun. We expect goodwill to be representing a significant portion of the assets on our consolidated balance sheet going forward. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations.

During the first half of 2019, due to (i) the delay in the launch of the overseas version of Cross Gate (Mobile) 魔力寶貝(手機版), the turn-based mobile game custom developed by Shanghai Huohun, in Hong Kong, Macau and Taiwan, caused by development of additional features of the game (e.g. development of additional activities and new PVP (Player versus Player) settings in the game, etc.) as requested by overseas operators; and (ii) certain unexpected technical incidents (including server breakdown) in the operation of Cross Gate (Mobile) 魔力寶貝(手機版) in the first half of 2019, the financial performance of Shanghai Huohun did not expectations. The Company therefore conducted impairment assessment on the goodwill and made RMB350,134,000

impairment during the first half year of 2019. Pursuant to applicable accounting standards, the Company recognised an additional RMB72,197,000 goodwill impairment on December 31, 2019. Therefore, a total goodwill impairment of RMB422,331,000 was recognized in the Group's consolidated statement of comprehensive income for the year ended December 31, 2019.

**We expect that a portion of our future revenues will continue to come from our advertising services, but we may not be able to compete effectively in this market, in which case our ability to generate and maintain advertising revenue in the future could be adversely affected.**

Although we anticipate that the revenues generated by our mobile games will continue to constitute the major portion of our future revenues, we believe that advertising revenues will continue to form a considerable portion of our revenue in the foreseeable future. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we derived 12.5%, 11.4%, 11.9%, 11.2% and 12.6% of our total revenues from our information services business, respectively. Our ability to generate and maintain significant advertising revenue will depend on a number of factors, including:

- the development of a large base of users possessing demographic characteristics attractive to advertisers;
- the development of software that blocks Internet advertisements before they appear on a user's screen;
- downward pressure on online advertising prices;
- optimal advertising strategy in our games without significantly affecting user experience; and
- the effectiveness of our advertising delivery and tracking system.

Changes in government policy could also restrict or curtail our online advertising services. Moreover, the acceptance of the Internet as a medium for advertising depends on the development of a measurement standard. No standards have been widely accepted for the measurement of the effectiveness of online advertising. Industry-wide standards may not develop sufficiently to support the Internet as an effective advertising medium. If these standards do not develop, advertisers may choose not to advertise on the Internet in general or through our media platforms.

In addition, competition in the online advertising industry in China is intense, with numerous competitors. We have undertaken various marketing strategies to grow our advertising business and to cater to changes in the needs of our advertising service customers. However, we cannot assure you that any of these strategies will be successful in improving the financial results of our advertising business.

**Our exploration of additional revenue sources may not be successful.**

We have been exploring additional revenue sources. We launched our latest version of *WePlay* mobile app in May 2018, which serves as a social gaming platform. We have designed gamified interface in this app to allow users to play and socialize in tailor-made game themes, form user groups with different social features, and create popular events among user groups to attract user traffic. In addition, we established *Great Moments Voyage*, a brand of offline experiential store offering digital entertainment services, in September 2017. Our plan is to build up a network of offline experiential stores under the brand of *Great Moments Voyage*, equipped with various facilities such as private rooms for games and video showings. Despite our efforts in expanding our revenue sources, we cannot guarantee that our explorations will be successful and bring us the expected returns.

**If we fail to expand into new genres of games, our future results of operations and growth prospects may be materially and adversely affected.**

We have expanded our game portfolio to include games of various genres. To operate games in a new genre, we must identify and obtain licenses for appealing games with high monetization potential from both overseas and domestic game developers. We also depend on these game developers to provide technical support, and to develop updates and expansion packs to sustain user interest and attract new users to our games. We may not be able to successfully establish relationships with high-quality game developers and obtain licenses to their games. We cannot guarantee that the games that are licensed to us will become commercially successful. Expansion into new genres of mobile games may also present operating and marketing challenges that are different from those that we currently encounter with our existing games. In addition, we face competition from existing players within these markets who may have more experiences and resources.

**We work closely with Tencent in multiple areas. Any deterioration of our relationship may materially and adversely affect our business and results of operations.**

We cooperate closely with Tencent in multiple areas. For example, we use various services and technical support provided by *Tencent Cloud*. Tencent has granted us an exclusive license to use a number of *Tencent Video*'s trademarks for our experiential store brand, *Great Moments Voyage*. We also cooperate with *Tencent* on IP development. In 2018, the Company entered into a series of framework agreements with *Tencent Computer* in relation to advertising, game development and distribution, payment service, provision of cloud service, and IP cooperation for comic work. We believe that our strategic partnership with *Tencent* will grant us unique advantages in respect of user traffic, contents and technologies, and further strengthen our market position. However, our partnership can be influenced by various factors beyond our control and we cannot assure you that these expected benefits will be actually delivered. Also, there is a risk that we may become dependent on certain services provided by *Tencent*, so any changes in our relationship might materially and adversely affect our business. Furthermore, *Tencent* develops and publishes

its own games. We are therefore subject to direct competition and potential conflicts of interest with *Tencent*, which may intensify in the future. We cannot guarantee that we will always maintain a cooperative relationship with *Tencent*; and any changes of our relationship may have a material adverse effect on our business, financial conditions and results of operation.

In addition, any restrictions imposed on Tencent's business operations may also have an impact on our strategic partnership and our cooperative relationship with Tencent. On September 17, 2020, the U.S. Department of Commerce issued the "Identification of Prohibited Transactions to Implement Executive Order 13943 and Address the Threat Posed by WeChat and the National Emergency with Respect to the Information and Communications Technology and Services Supply Chain" dated September 17, 2020 (the "**Identification of Prohibited Transactions**"). Pursuant to the Identification of Prohibited Transactions, the U.S. Secretary of Commerce identified those transactions related to Tencent's WeChat application ("**WeChat App**") that are prohibited, effective as of September 20, 2020 (U.S. Eastern Standard Time). The Identification of Prohibited Transactions imposes a number of limitations and prohibitions related to the use of WeChat App within the national borders of the United States. Any further restrictions that may be imposed on Tencent's business operations may have an indirect adverse impact on our strategic partnership and cooperation with Tencent which may, in turn, have a material adverse effect on our business, financial conditions and results of operations.

**Our limited operating history makes it difficult to evaluate our future prospects and results of operations.**

We have a limited operating history under our current business model upon which to evaluate the viability and sustainability of our business. We commenced operations of our first mobile game in 2011. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early-stage companies in evolving industries, such as the mobile game industry in China. Some of these risks and uncertainties relate to our ability to:

- retain existing users, attract new users and increase user activity and monetization;
- license or acquire additional mobile games that are appealing to users;
- expand partnerships with domestic and overseas content developers;
- maintain and expand our distribution and payment channels;
- upgrade our technology and infrastructure to support increased traffic and expanded offerings of products and services;
- anticipate and adapt to changing user preferences;
- adapt to competitive market conditions;



- maintain adequate control of our expenses; and
- attract and retain qualified personnel.

In addition, we are subject to certain other risks which are out of our control. For example, we historically experienced a significant decline in net profit in 2016, primarily due to the decrease of our revenue in 2016, which was attributable to (i) the postponed launch of those of our games that were in the pipeline due to stricter game registration requirements in China, which required us to register each game before launch and (ii) stricter measures adopted by certain payment channels in cooperation with us, which made users' payment process less convenient, and consequently disincentivized users from making payments. We cannot guarantee that such incidents will not occur again in the future. If we are unsuccessful in addressing any of those risks and uncertainties above-mentioned our business may be materially and adversely affected.

**We may become a party to litigation and regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flow.**

We may become subject to legal proceedings, claims and regulatory inquiries that arise out of the ordinary conduct of our business and which are not yet resolved, and additional claims and inquiries may arise in the future. For example, our predecessor and the then holding company of our business, iDreamSky Technology Limited, and certain of our officers and directors were subject to three putative securities class action lawsuits in the U.S. during the listing of iDreamSky Technology on NASDAQ. In addition, events may occur that give rise to a potential risk of litigation. The number and significance of regulatory inquiries have increased as our business has grown and evolved. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming, result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of doing business, require us to change our business practices or products, require significant amounts of management time, result in diversion of significant operations resources or otherwise harm our business and future financial results.

**Any failure or significant interruption in our technology infrastructure could impact our operations and harm our business.**

Our technology infrastructure is critical to the performance of our games and to user satisfaction. Some elements of our technology infrastructure are maintained by third parties that we do not control. For example, we migrated the majority of our servers and computing infrastructure to *Tencent Cloud*. We have experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. If a particular game is unavailable when users attempt to access it, users may stop playing the game and may be less likely to return to the game as often, if at all. A failure or significant interruption in our game service would harm our reputation and operations. We expect to continue to make significant



investments in our technology infrastructure to maintain and improve all aspects of user experience and game performance. To the extent that our disaster recovery systems are not adequate, or we do not effectively address capacity constraints, upgrade our systems as needed and continue to develop our technology and network architecture to accommodate increasing traffic, our business and operating results may suffer. We do not maintain insurance policies covering losses relating to our technology infrastructure and we do not have business interruption insurance, and our business and operations may suffer adverse effects as a result.

**We operate in a new and rapidly changing industry, which makes it difficult to evaluate our business and prospects. Our ability to generate revenue could suffer if the PRC mobile game market does not develop as anticipated.**

The growth of the mobile game industry in China and the level of demand and market acceptance for our games are subject to a high degree of uncertainty. Our future operating results depend on numerous factors affecting the mobile game industry, many of which are beyond our control. Our ability to formulate and execute publishing, distribution and marketing strategies will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of our current and potential users. New and different types of entertainment may increase in popularity at the expense of mobile games. A decline in the popularity of mobile games, in particular, would harm our business and prospects.

As China's mobile games market has evolved rapidly in recent years, it is extremely difficult to accurately predict user acceptance and demand for our existing and potential new games, and the future size, composition and growth of this market. Given the limited history and rapidly evolving nature of our market, we cannot predict how much users would be willing to pay for our mobile games or whether users would have concerns over the security, reliability, cost and quality of service associated with mobile games. If acceptance of our mobile games is different than anticipated, our ability to maintain or increase our revenues and profits could be materially and adversely affected.

**Breaches of security measures of our website, games and third-party payment systems and unintended disclosures of user and game data may materially and adversely affect our reputation and business.**

As we conduct our business, we process, store and analyze personal information and other data. We rely on proprietary encryption and authentication technology to provide the security and authentication necessary to enable secure transmission of confidential user information, including user name and password. However, our security controls over user and game data may not prevent the improper disclosure of personally identifiable information. A party who is able to circumvent these security measures could misappropriate proprietary information or cause interruptions in our operations. A security breach that leads to disclosure of user account information, including mobile numbers or other personally identifiable information, could harm our reputation. Our actual or

perceived failure to comply with governmental regulation and other legal obligations related to user privacy could harm our business. We may be required to expend significant capital and other resources to prevent such security breaches or to alleviate problems caused by such breaches.

In addition, secure transmission of confidential information, such as users' debit and credit card numbers and expiration dates, personal information and billing addresses, over public networks, including our website, is essential for maintaining user confidence. We do not have control over the security measures of our third-party payment platform partners, and their security measures may not be adequate at present or may not be adequate for the expected increased usage of online payment systems. We could be exposed to litigation and possible liability if we fail to safeguard confidential user information, which could harm our reputation and our ability to attract or retain users and may have a material adverse effect on our business.

**Undetected programming errors or defects in our mobile games could harm our reputation and materially and adversely affect our results of operations.**

Our mobile games are subject to frequent improvement and updates, and may contain bugs or flaws that may become apparent only after the updated applications are accessed by mobile users, particularly as we launch new updates under tight time constraints. From time to time, our users may inform us of programming bugs affecting their experience, and we are generally able to resolve such flaws promptly. However, if, for any reason, programming bugs or flaws are not resolved in a timely fashion, we may lose some of our users and our revenues will be affected negatively, and our reputation and market acceptance of our mobile games may also be harmed.

**Unauthorized character enhancements, other hacking or cheating activities in our virtual worlds could harm our online business and reputation and materially and adversely affect our results of operations.**

With the increase of the number of game users in China, game operators have increasingly encountered problems arising from the use of unauthorized character enhancements, theft of user account information and other hacking or cheating activities. We have from time to time detected a number of users who have gained an unfair advantage by installing hacking or cheating tools to facilitate character progression. In response to these activities, we have installed detection mechanisms in our games to identify various hacking and cheating activities, and have expanded our technical team dedicated to detecting unauthorized character enhancements and resolving other hacking issues. However, these measures may not be effective against hacking. Continued occurrences of unauthorized character enhancements, and other hacking or cheating activities in our games will harm user experience, which may negatively impact the image of our games and users' perception of their reliability, reduce our user number and in-game spending, shorten the life span of the games and adversely affect our results of operations.

**We may not be successful in promoting our brand or enhancing our brand recognition, and any negative publicity, regardless of its veracity, may harm both our brand and the specific games we publish.**

The reputation of our brands “iDreamSky (創夢天地)” and “iDreamSky Games (樂逗遊戲)” is growing among mobile game players in China as a quality publishing platform for fun and exciting games. Promoting our iDreamSky (創夢天地) and “iDreamSky Games (樂逗遊戲)” brands and enhancing their recognition is an integral part of our growth strategy. However, we may not be able to effectively promote or develop our brands, and if we fail to do so our growth may be adversely affected. In addition, negative publicity or disputes regarding our brands, games and services, company or management could materially and adversely affect public perception of our brands and the other products and services we offer. Any negative publicity in relation to us, regardless of its veracity, could harm the image of our company and the games we publish, which in turn would decrease the number of active users from the operation of our online and offline businesses. Any impact on our ability to effectively promote our brands and any significant damage to the public perception of our iDreamSky brands or our products could materially and adversely affect our prospects and results of operations.

**Unauthorized use of our intellectual property may harm our brands and reputation and adversely affect our business.**

We regard the intellectual property rights granted to us by our game developer partners, as well as our own copyrights, trademarks and other intellectual property as critical to our success. Unauthorized use of these intellectual property rights may harm our brands and reputation and adversely affect our business. We have historically relied on a combination of trademark and copyright law, trade secret protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect our intellectual property rights. Although our contracts with our business partners prohibit the unauthorized use of our brands and intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover our trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Although we presently enter into confidentiality agreements with all of our employees and impose stringent obligations on our core research and development employees with respect to confidentiality, we cannot assure you that these confidentiality agreements will not be breached, that we will have adequate remedies for any breach, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to, or be independently developed by, third parties. Any failure to protect our game developer partners’ intellectual properties will also subject us to severe consequences, including loss of game distributorships and payment of indemnity.

While we actively take steps to protect our proprietary rights and those of our game developer partners, such steps may not be adequate to prevent the infringement or misappropriation of our and their intellectual property. For example, for overseas games that we publish in China, we typically apply for trademark registration for the Chinese titles of these games. However, certain third parties may apply to register these Chinese titles in the relevant trademark categories before we do, and if their registration is granted, before we successfully appeal to invalidate such registration, such registration may exclude us from publishing the games under the same title and the third parties may even make intellectual property infringement claims against us. Our ability to market these games will be materially adversely affected by any such intellectual property disputes. Moreover, we have no control over third parties who clone and offer counterfeits of our games which may be misleading to users. In addition, we cannot assure you that our trademark applications will ultimately proceed to registration or will result in registration with adequate scope for our business. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our trademark applications are not successful, we may have to use different marks for affected products or services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

Primarily due to ambiguities in the laws and difficulties in enforcement, intellectual property right protection in Mainland China may not be as effective as in Hong Kong or other countries or regions. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations.

**Third parties may claim that we infringe their proprietary rights, which could cause us to incur significant legal expenses and prevent us from promoting our products and services.**

We have from time to time received claims that we have infringed the intellectual property rights of others, and may in the future receive more claims. Although we are not the developer of the games that we license, third parties may claim that, as the publisher of the games, we are also liable for any infringement upon the third parties' rights, jointly, with the developer. We typically rely on our game developer partners' representations that their games do not infringe upon third parties' intellectual property rights, and we require indemnification should any such representations become inaccurate, and we suffer damage as a result, including any damages resulting from third party claims. However, games we license may from time to time infringe upon valid patents, trademarks, copyrights or other intellectual property rights held by third parties, and indemnification may not be adequate in recovering our loss. Game features redesigned by us may also be claimed to have infringed upon third parties' rights. Any such claim or litigation, with or without merit, could be costly and distract our management from its day-to-day operations. If we fail to successfully defend against such claim or do not prevail in such litigation, we could be required to modify, redesign or cease operating the games, pay monetary amounts as damages,

enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our users. Any royalty or licensing arrangements that we may seek in such circumstances may not be available to us on commercially reasonable terms or at all. Also, if we acquire license of technology from third parties, our exposure to infringement actions may increase because we must rely upon these third parties to verify the origin and ownership of such technology. This exposure to liability could result in disruptions in our business that could materially and adversely affect our operating results.

Some of our employees were previously employed at other companies, including our current and potential competitors. We may hire additional personnel to expand our development team and technical support team as our company grows. To the extent these employees are involved in the development of content or technology similar to ours at their former employers, we may become subject to claims that these employees or we have appropriated proprietary information or intellectual property rights of the former employers of our employees. If we fail to successfully defend such claims against us, we may be exposed to liabilities which could have a material adverse effect on our business.

**The successful operation of our business depends on the performance and reliability of the Internet infrastructure and telecommunications networks in China.**

Our game operation and distribution depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the Internet. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure.

The mobile network in China is operated by three mobile carriers, all of which are controlled by the PRC government. Mobile coverage may not be reliable, and any disruption in the operation of the mobile carriers may have a negative impact on our users' ability to download and activate our games, as well as their gameplay and payment experience. There is no assurance that China's mobile network infrastructure will continue to improve and further support the operation and expansion of our business.

Any failure to maintain the satisfactory performance, reliability, security and availability of our network and computer infrastructure may cause significant harm to our business operation and the distribution of our games. Any server interruptions, breakdowns or system failures, including failures which may be attributable to events within or outside our control that could result in a sustained shutdown of all or a material portion of our services, could adversely impact our ability

to operate our games and service our users and lead to user attrition and revenue reduction. Our network systems are also vulnerable to damage from computer viruses, fire, flood, earthquake, power loss, telecommunications failures, computer hacking and other similar events.

**Expansion into international markets is important for our growth, and, as we expand internationally, we will face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs and hinder such growth.**

We plan to expand our business internationally. We have little experience in overseas markets. It is costly to establish, develop and maintain international operations and promote our brand internationally. The expansion of our business into such geographic markets may not be profitable on a sustained basis for many reasons including, but not limited to:

- local economic and political conditions;
- government regulations of mobile usage and mobile games and restrictive governmental actions, such as trade protection measures, nationalization and restrictions on foreign ownership;
- restrictions on sales or distribution of mobile content and uncertainty regarding intellectual property rights and liability for content and services on our platform;
- business licensing or certification requirements, such as those for mobile game content;
- limited telecommunications, content distribution and payment infrastructure;
- laws and regulations regarding user protection, data protection, privacy, network security, encryption and restrictions on pricing;
- lower levels of mobile and Internet use;
- lower levels of consumer spending and fewer growth opportunities compared to our current geographic markets;
- lower levels of online payment and increased payment risk; and
- difficulty in staffing, developing and managing foreign operations as a result of language and cultural differences.

As we expand our game operations to other countries, competition will intensify. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, local users, as well as their more established local brand names. They benefit from reduced logistics costs and local marketing experience in their competition with us.

Besides these general risks, our games published in the U.S. make us subject to the Children’s Online Privacy Protection Act, or COPPA, which applies to operators of commercial websites and online services directed at U.S. children under the age of 13 that collect personal information from children, and to operators of general audience websites with actual knowledge that they are collecting information from U.S. children under the age of 13. Although we may adopt age screening mode in our games published in the U.S. to prevent data collection from children under the age of 13, we cannot guarantee that our inserted age screening mode will always work effectively. We may still accidentally collect personal information from children under 13. In addition, we cannot prevent third party suppliers, such as payment channel providers and advertisers, from collecting personal information from children under 13. All of these can expose us to potential violation of COPPA. COPPA is subject to interpretation by the U.S. courts and other U.S. governmental authorities, including the Federal Trade Commission (the “FTC”), and the FTC is authorized to promulgate, and has promulgated, revisions to regulations implementing provisions of COPPA, and provides non-binding interpretive guidance regarding COPPA that changes periodically with little or no public notice. Although we strive to ensure that our platform and applications are compliant with applicable COPPA provisions, these provisions may be modified, interpreted, or applied in new manners that we may be unable to anticipate or prepare for appropriately, and we may incur substantial costs or expenses in attempting to modify our systems, platform, applications, or other technology to address changes in COPPA or interpretations thereof. If we fail to accurately anticipate the application, interpretation or legislative expansion of COPPA, we could be subject to the U.S. governmental enforcement actions, litigation, fines and penalties or adverse publicity.

**Our success depends on the continuing and collaborative efforts of our management team and other key personnel, and our business may be harmed if we lose their services.**

Our future success depends heavily upon the continuing services of our senior management team and key personnel; and if one or more of our executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for management and key personnel is intense, the pool of qualified candidates is limited, and we may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future. If any of our executives or other key personnel joins a competitor or forms a competing company, we may lose customers, distributors, know-how and key personnel. Each of our executive officers and key employees has entered into an employment agreement with us that contains confidentiality provisions. If a dispute arises between any of our executives or key personnel and us, we cannot assure you to what extent any of these agreements may be enforced.



**We rely on highly skilled personnel. If we are unable to retain or motivate them or hire additional qualified personnel, we may not be able to grow effectively.**

Our performance and future success depend on the talents and efforts of highly skilled individuals, especially art design, research and development and sales and marketing personnel. We will need to continue to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in the mobile games industry for qualified employees is intense. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. Since the demand and competition for talent is intense in our industry, particularly for mobile game development personnel, engineers and related technical personnel, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses. If we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively.

**We recorded may be unable to secure additional funding in the future or to obtain such funding on favorable terms.**

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary principally depending on the timing of new product launches, investments and/or acquisitions, and the amount of cash flow from our operations. We cannot guarantee that such incidents will not happen again in the future, which may require us to obtain extra financing resources.

To satisfy our financing needs, we may need to increase our bank borrowings. There is no assurance that we will obtain sufficient borrowings from banks on favorable terms. We have also technically breached certain financial ratio requirements under the loan agreements with certain banks as at June 30, 2020 and, as a result, have re-classified approximately RMB65.6 million of long-term borrowings to current liabilities. We cannot assure you that we will not breach any covenants under any loan agreements in the future, or that the relevant banks will not accelerate the repayment obligations or enforce other remedies against us.

Besides bank borrowings, we may seek to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity securities or securities convertible into our ordinary shares could result in additional dilution to our shareholders. The incurrence of additional indebtedness may subject us to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. Financing may not be available in amounts or on terms acceptable to us, if at all, especially if there is a recession or other events causing volatilities in the capital markets worldwide.



**We may enter into strategic acquisitions, licensing arrangements and partnerships which may not be successful and may have a material adverse effect on our business.**

We may in the future acquire IPs, game distribution licenses and quality games, and enter into strategic acquisitions or alliances with third parties. Such acquisitions could subject us to a number of risks, including risks associated with non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. Although we have no current acquisition plans, if we are presented with appropriate opportunities we may acquire game developers, content providers or third party platforms that can enhance our game-related sourcing, development and operation capabilities. These transactions could require that our management develop expertise in new areas, manage new business relationships and attract new types of users. We may also experience difficulties integrating any investments, acquisitions, licensing arrangements and/or partnerships into our existing business and operations, which would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect and could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

**We are exposed to fair value change for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.**

We carried certain financial instruments at fair value as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Fair value of such financial instruments was determined by various applicable valuation techniques, including a discounted cash flows approach, comparable transactions approach, and other option pricing models. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital, recent market transactions, discount for lack of marketability and other exposure. This means that our valuations of relevant financial instruments are based on unobservable inputs and our own assumptions about how market participants would price the financial asset or liability in question. Inputs into the determination of fair value of these financial instruments require significant management judgment or estimation. Such valuations are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates; and our determinations of fair value may differ materially from the values that would have been used if a ready market for these financial instruments existed. Our financial position and results of operations could be adversely affected if our determinations turn out to be inaccurate.

**Our results of operations are subject to quarterly fluctuations due to seasonality.**

We experience seasonality in our business, and, as a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, users typically spend less time playing our games in the second and fourth quarters of each year, which have fewer public holidays and school breaks than the first and third quarters of each year. Since a significant portion of our users are students, and as the new school year begins in the third quarter of each year, which limits students' access to computers and the Internet, we may experience a reduction in active users during such period, and, therefore, our financial results may be materially and adversely affected.

**We face risks of health epidemics and other disasters in China, which could severely disrupt our business operations.**

Our business could be materially and adversely affected by the outbreak of H1N1, or swine influenza, avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. For example, the COVID-19 outbreak has severely affected people's normal course of life and work, and COVID-19 had brought both opportunities and challenges to us. In the short-term, the epidemic brought a wave of growth to most online related business industries including us, as the "home economy" has boosted the consumption of online products and services. However, in the long-term, we believe that only by providing high-quality games and user services can we guarantee sustained competitiveness. Given the rapidly evolving nature of the outbreak, we are continuing to pay close attention to the development of the COVID-19 outbreak and to evaluate the impact of the outbreak on the Group. Any adverse public health developments in China could require the temporary closure of our offices. Such closures could severely disrupt our business operations and adversely affect our results of operations. Our operations are vulnerable to interruption and damage from man-made or natural disasters, including wars, acts of terrorism, earthquakes, fire, floods, environmental accidents, power loss, communications failures and similar events, all of which may disrupt our business. If any significant man-made or natural disaster were to occur in the future, our ability to operate our business could be seriously impaired.

**RISKS RELATED TO OUR CONTRACTUAL ARRANGEMENTS**

**We conduct certain aspects of our businesses in China through Shenzhen iDreamSky, or our VIE by means of contractual arrangements. If the PRC government determines that these contractual arrangements do not comply with applicable regulations, our business could be materially and adversely affected.**

We conduct the operation of our domestic business mainly through Shenzhen iDreamSky, or our VIE, and its subsidiaries. We receive substantially all of the economic benefits of our VIE as its primary beneficiary through contractual arrangements with it and its shareholders. For a description of these contractual arrangements.

Various regulations in China currently restrict or prevent foreign-invested entities from engaging in telecommunication services, including operating mobile games. On December 11, 2001, the State Council promulgated the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which were subsequently amended on September 10, 2008 and on February 6, 2016. Under such regulations, foreign ownership in companies that provide value-added telecommunication services shall not exceed 50%. Under the Special Administrative Measures for the Access of Foreign Investment (Negative List) (Edition 2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the “**Negative List (Edition 2020)**”), foreign investment in the value-added telecommunications services (excluding e-commerce, domestic multi-party communications, storage-forwarding and call centres) is “restricted”. Further, the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MIT Notice**”) issued by Ministry of Information Industry of the PRC (the “**MIi**”), which is the predecessor of the Ministry of Industry and Information Technology (the “**MIIT**”) in July 2006, reiterated restrictions on foreign investment in telecommunications businesses. Under the MIT Notice, a PRC company that holds a license to conduct value-added telecommunications businesses, or a VATS License, in China is prohibited from leasing, transferring or selling the license to foreign investors in any form and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Furthermore, the relevant trademarks and domain names that are used in a value-added telecommunications business must be owned by the local VATS License holder or its shareholder(s). The MIT Notice further requires each VATS License holder to have appropriate facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Shenzhen iDreamSky holds a regional VATS License. However, due to the lack of interpretative guidance from the authorities, it is uncertain whether the MIIT would consider our corporate structures and contractual arrangements as a type of foreign investment in telecommunication services in China. Therefore, it is unclear what impact the MIT Notice might have on us.

In August 2011, the Ministry of Commerce, or the MOFCOM, promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the MOFCOM Security Review Rules, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), or Circular No. 6, which was promulgated on February 3, 2011 and came into effect on March 3, 2011. Under these rules, a security review by the MOFCOM is required for foreign investors’ mergers and acquisitions that have “national defense and security” implications, and mergers and acquisitions by which foreign investors may acquire “de facto control” of domestic enterprises that have “national security” implications. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security

review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that mobile game businesses fall within the scope of transactions subject to security review. We do not believe we are required to submit our existing contractual arrangement to the MOFCOM for a security review. However, as there is a lack of any clear statutory interpretation regarding the implementation of these rules, there is no assurance that the MOFCOM will have the same view as we do when applying these national security review related circulars and rules.

The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Although we believe we comply, and will continue to comply with current PRC regulations, the PRC government may not agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing requirements or policies, or with requirements or policies that may be adopted in the future. It is possible that a PRC court, arbitration tribunal or other regulatory authority might determine that such contractual arrangements are illegal or invalid. If the PRC government determines that we are not in compliance with applicable laws, it may levy fines on us, confiscate that part of our income that they deem to have been obtained through illegal operations, revoke or refuse to renew any business and operating licenses required to conduct our operations in China, revoke the agreements constituting the contractual arrangements, require us to discontinue or restrict our operations, suspend the operation of our games, require us to alter our ownership structure or operations, or impose additional conditions or restrictions on our business operations with which we may not be able to comply, or take other regulatory or enforcement actions against us that could be harmful to our business.

**If the PRC government determines that our ownership structure does not comply with the restrictions contained in the GAPP Notice, we could be subject to severe penalties.**

We are subject to relevant PRC regulations on operators of online games. On September 28, 2009, the PRC General Administration of Press and Publication, or the GAPP, together with the National Copyright Administration, and National Working Group for Crackdown on Pornography and Illegal Publications jointly issued a Circular on Implementation of the Regulation on the Three Provisions of the State Council and the Relevant Interpretations and Further Strengthening of the Administration of Pre-examination and Approval of Online Game and the Examination and Approval of Imported Online Game (《關於貫徹落實國務院〈「三定」規定〉和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》), or the GAPP Notice. The GAPP Notice provides, among other things, that foreign investors are not permitted to invest in online game operating businesses in China via wholly-owned, equity joint venture or cooperative joint venture investments, and expressly prohibits foreign investors from gaining control over or participating in PRC Consolidated Affiliated Entities' online game operations through indirect ways, such as establishing other joint venture companies, entering into contractual arrangements with, or providing technical support for, such operating companies, or in a disguised form, such as incorporating user registration, user account management or payment through game cards into

online gaming platforms that are ultimately controlled or owned by foreign investors. Due to the ambiguity among various regulations on online games and a lack of interpretative materials from the relevant PRC authorities governing online game operations, there are uncertainties regarding whether PRC authorities would consider our corporate structure and contractual arrangements to be foreign investment in online game operation businesses. While we are not aware of any online game companies which use the same or similar contractual arrangements as ours having been penalized or ordered to terminate operation by PRC authorities claiming that the contractual arrangements constitute control over, or participation in the operation of, online game operating businesses through indirect means, it is unclear whether and how the various regulations of the PRC authorities might be interpreted or implemented in the future. If our contractual arrangements were deemed to be such an “indirect means” or “disguised form” under the GAPP Notice, our contractual arrangements may be challenged by the competent press and publication authority. If we, our PRC subsidiaries or VIE are found to be in violation of the GAPP Notice to operate our mobile games, the competent press and publication authority, in conjunction with relevant regulatory authorities, would have the power to investigate and deal with such violations, including, in the most serious cases, taking action to ensure that relevant licenses and registrations be suspended or revoked.

**Our contractual arrangements with Shenzhen iDreamSky and its shareholders may not be as effective in providing control as direct ownership. Shenzhen iDreamSky and its shareholders may fail to perform their obligations under these contractual arrangements.**

We have relied, and expect to continue to rely, on contractual arrangements with Shenzhen iDreamSky to conduct our domestic business primarily. These contractual arrangements provide us with effective control over Shenzhen iDreamSky through which we operate our business, and allow us to obtain economic benefits from it. However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, if Shenzhen iDreamSky or its shareholders fail to perform their respective obligations under these contractual arrangements, or if they take other actions that are detrimental to our interests, we may incur substantial costs and impacts on resources in connection with our enforcing these arrangements. To enforce these arrangements, we may rely on legal remedies available under applicable PRC laws, including seeking specific performance and claiming damages. In particular, if shareholders of Shenzhen iDreamSky refuse to transfer their equity interests to us or our designated persons when we exercise the purchase option pursuant to these contractual arrangements, we may need to initiate legal actions to compel them to fulfill their contractual obligations. Such arbitration and legal proceedings and disputes may cost us substantial financial and other resources and result in disruption of our business, and the outcome might not be in our favor. The relevant PRC arbitration panel may conclude that our contractual arrangements violate PRC law or are otherwise unenforceable, and we could consequently lose our ability to consolidate Shenzhen iDreamSky’s results of operations, assets and liabilities in our consolidated financial statements and/or to transfer the revenues of Shenzhen iDreamSky to WFOE, our wholly owned subsidiary. In addition, the shareholders of Shenzhen iDreamSky may not continuously act in the best interests of our company and follow our instructions despite their contractual obligations to do so.

If we had direct ownership in Shenzhen iDreamSky, we would be able to exercise our rights as shareholders, rather than our rights under the powers of attorney, to effect changes to its board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if Shenzhen iDreamSky or its shareholders fail to perform their obligations under these contractual arrangements, we may incur substantial costs to enforce such arrangements and rely on legal remedies under PRC law, which may not be sufficient or effective. For example, if we sought to enforce the exclusive option agreements for the transfer of equity interests in Shenzhen iDreamSky, the transfer would be subject to approval by governmental authorities, such as the MIIT and the MOFCOM, and the transfer price requirements of the relevant government authorities. The transferee would be required to comply with various requirements, including qualification and maximum foreign shareholding percentage requirements. As these governmental authorities have wide discretion in granting such approvals, we could fail to obtain such approval. In addition, our contractual agreements might not be enforceable in China if PRC governmental authorities or courts take the view that such contracts contravene PRC law or are otherwise not enforceable for public policy reasons.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law, and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as Hong Kong. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, prevailing parties in an arbitration proceeding may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. If we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our VIEs, and our ability to conduct our business may be negatively affected.

If we are unable to enforce these contractual arrangements, or if we suffer significant delay, or other obstacles in the process of enforcing these contractual arrangements, a substantial portion of our business and operations in China could be disrupted, which could materially and adversely affect our results of operations and damage our reputation. See “— *Risks Related to Doing Business in China — Uncertainties and changes in the PRC legal system could materially and adversely affect our business.*”

**Our ability to enforce the share pledge agreements may be subject to limitations based on PRC laws and regulations.**

Under the contractual arrangements, WFOE entered into an equity interest pledge agreement with Shenzhen iDreamSky and its shareholders. Under the equity interest pledge agreements, the shareholders of Shenzhen iDreamSky agreed to pledge their equity interests in Shenzhen iDreamSky to WFOE to secure Shenzhen iDreamSky’s and the shareholders’ performance of their obligations under the relevant contractual arrangements. However, the equity pledge under the



equity interest pledge agreements among WFOE, Shenzhen iDreamSky and its shareholders has not been registered with the local branch of the State Administration of Industry and Commerce, or the SAIC. The PRC Property Rights Law (《中華人民共和國物權法》) that was promulgated on March 16, 2007 and became effective on October 1, 2007 provides that registration with the local branch of the SAIC is necessary to create security interest on the equity interests of a PRC limited liability company, which means that, before the equity pledge is duly registered with the local branch of the SAIC, the equity pledge is unenforceable even though the relevant equity interests pledge agreement is binding. If any shareholder fails to complete the registration of its equity pledge, then such pledge will not become effective and WFOE will not be able to effectively exercise the pledge of such shareholder's equity interests in Shenzhen iDreamSky. If we are unable to enforce the equity interest pledge agreement, we may not be able to exert effective control over Shenzhen iDreamSky, and our ability to conduct our business may be negatively affected.

Further, the equity interest pledge agreement with our VIE's shareholders provides that the pledged equity interests constitute security for all of the payment obligations of the VIE and the shareholders under the contractual arrangements. However, it is possible that a PRC court may take the position that the amount indicated on the equity pledge registration documents filed with the local branch of the SAIC represents the full debt amount that the pledge secures. If this is the case, the obligations that are supposed to be secured in these equity interest pledge agreements in excess of the amount indicated on the equity pledge registration documents could be determined by the PRC court as unsecured debt, in which case the protection of our interest in the VIE's payments to us is limited.

**The shareholders of Shenzhen iDreamSky have potential conflicts of interest with us, which may adversely affect our business.**

We conduct a substantial portion of our operations, and generate a substantial portion of our revenue, through Shenzhen iDreamSky. Our control over Shenzhen iDreamSky is based upon the Contractual Arrangements. The shareholders of Shenzhen iDreamSky may potentially have a conflict of interest with us. Thus, conflicts of interest between their duties to our company and their interests as the controlling shareholders of our VIE may arise. They may not act entirely in our interest when conflicts of interest arise, and conflicts of interest may not be resolved in our favor. In addition, these Registered Shareholders could violate their non-competition or employment agreements with us or their legal duties by diverting business opportunities from us. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and reputation.

The shareholders of Shenzhen iDreamSky may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in Shenzhen iDreamSky and the validity or enforceability of the contractual arrangements. For example, in the event that any individual shareholder of Shenzhen iDreamSky divorces his or her spouse, the spouse may claim that the equity interest of Shenzhen iDreamSky held by such

individual shareholder is part of their marital or community property. If such claim is supported by the competent PRC court, the relevant equity interest may be obtained by the individual shareholder's spouse or another third party who is not bound by our contractual arrangements, which could result in our losing effective control over Shenzhen iDreamSky. Similarly, if any of the equity interests of Shenzhen iDreamSky are inherited by a third party on whom the current contractual arrangements are not binding, we could lose our control over Shenzhen iDreamSky or have to maintain such control at unpredictable cost, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

Although under our current contractual arrangements, (i) the spouse of each of the shareholders of Shenzhen iDreamSky has executed a spousal consent letter, under which such spouse has undertaken that she will not make any assertions in connection with the equity interests of Shenzhen iDreamSky, as the case may be, which are held by the Registered Shareholders, and if such spouse obtains any equity interests of Shenzhen iDreamSky, as the case may be, for any reasons, she shall be bound by the contractual arrangements and comply with the obligations thereunder as a shareholder thereof, and (ii) it is expressly provided in the agreements that the rights and obligations thereunder shall be equally effective and binding on the successors of the contracting parties, we cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. If any of these undertakings or arrangements is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract management and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

**We may lose the ability to use and enjoy the benefits of the assets held by Shenzhen iDreamSky that are important to the operations of our business if such entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.**

Shenzhen iDreamSky is our primary operating entity. It holds assets and performs functions that are important to the operations of our business. If Shenzhen iDreamSky enters into bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If Shenzhen iDreamSky undergoes a voluntary or involuntary dissolution or liquidation proceeding, third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business in the PRC, which may materially and adversely affect our business, financial condition and results of operations.

**Contractual arrangements with Shenzhen iDreamSky may result in adverse tax consequences.**

Under PRC laws and regulations, an arrangement or transaction among related parties may be subject to audit or challenge by the PRC tax authorities. If this occurs, the PRC tax authorities could request that Shenzhen iDreamSky adjust its taxable income in the form of a transfer pricing adjustment for PRC tax purposes, if contractual arrangements among related parties do not



represent arm's-length prices. Such a pricing adjustment could adversely affect us by reducing, for PRC tax purposes, expense deductions recorded by Shenzhen iDreamSky, which could in turn increase its tax liabilities and expenses. In addition, Shenzhen iDreamSky may be subject to late payment fees and other penalties for underpayment of taxes. As a result, our contractual arrangements with Shenzhen iDreamSky may result in adverse tax consequences to us. If Shenzhen iDreamSky generates net income from transactions with our PRC subsidiaries under the contractual arrangements in the future and the PRC tax authorities decide to make transfer pricing adjustments on their net income, our consolidated net income may be adversely affected. In addition, the PRC tax authorities may impose interest on late payments on Shenzhen iDreamSky for the adjusted but unpaid taxes.

**Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.**

On 15 March 2019, the National People's Congress approved the Foreign Investment Law, which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-investment Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalise its foreign investment regulatory regime in line with the prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. On December 26, 2019, the State Council promulgated the Implementing Regulations of the Foreign Investment Law. (《中華人民共和國外商投資法實施條例》), which took effect on January 1, 2020, and reiterated and detailed the Foreign Investment Law.

The Foreign Investment Law embodies an expected PRC regulatory trend to rationalise its foreign investment regulatory regime in line with the prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition that is applied in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our Contractual Arrangements will be deemed in violation of

the market access requirements for foreign investment under PRC laws. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we are able to complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

## **RISKS RELATED TO DOING BUSINESS IN CHINA**

**If we fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.**

On June 3, 2010, the PRC Ministry of Culture, or the MOC, issued the Provisional Measures for Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”), which came into effect on August 1, 2010 and was further amended on December 15, 2017. The Online Game Measures are intended to strengthen the MOC’s supervision over online games, including mobile games. Pursuant to the Online Game Measures, the MOC is responsible for the review and regulation of online games, both imported and domestically developed. With respect to an imported mobile game, online operation may not commence until such game has been approved by the MOC after its content review. With respect to a domestic mobile game, a record filing must be made with the MOC within 30 days from the commencement of its online operation.

In May 2019, the General Office of the Ministry of Culture and Tourism (the “**MCT**”) released the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Cultural Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》), the “Notice on Adjusting Examination and Approval Scope”), which further specifies that the MCT no longer assumes the responsibility for the administration of online games industry. On July 10, 2019, the MCT issued the Decision of the Ministry of Culture and Tourism of the PRC on Abolishing the Interim Measures for the Administration of Online Games and the Measures for Planning and Administration of Tourism Development (《文化和旅遊部關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》), which specifies that the Online Game Measures were abolished by the MCT on July 10, 2019. Based on the above (i) after the Notice on Adjusting Examination and Approval Scope was released, the MCT no longer assumes the supervision responsibility for the distribution and operation of online games; (ii) as at the date of this Offering Circular, no PRC laws and regulations have been officially promulgated regarding whether the responsibility of the MCT for supervising the online games will be undertaken by another governmental department, so it is still unclear as to whether such supervision responsibility will be transferred to another governmental department or whether such governmental department will require similar supervision requirement or new supervision requirements for the distribution and operation of online games.

On March 6, 2018, the SAPPRFT promulgated the Administrative Provisions on Cinema-on-demand and Chain of Cinemas-on-demand (《點播影院、點播院綫管理規定》) (the “**Cinema-on-demand Provisions**”), which became effective on March 30, 2018. Pursuant to the Cinema-on-demand Provisions, cinema-on-demand is a place of cultural entertainment, apart from cinemas and mobile film projection places, that provides projection services for self-elected films by consumers. Enterprises are required to obtain the Film Projection License (《電影放映經營許可證》) to run the cinema-on-demand business. On May 23, 2019, the China Film Administration further promulgated the Notice of the China Film Administration on the Pilot Work of Cinema-on-demand and Chain of Cinemas-on-demand, which provides specific guidance in relation to the application requirements as specified in Cinema-on-demand Provisions. Further, the National On-demand Cinema Operation Management Information System (全國點播影院經營管理信息系統), the official management system as specified in Cinema-on-demand Provisions, has been put into operation since May 2019. If the *Great Moments Voyage* business are determined as cinema-on-demand business by the PRC regulatory authorities under the Cinema-on-demand Provisions, we may be subject to penalties, including, but not limited to, suspension of our cinema-on-demand business.

Past incidents of non-compliance may subject us to fines and other administrative penalties, which may materially and adversely affect our business and reputation. In addition, the suspension of the operation of our games or our other online product offerings due to similar non-compliance in the future may materially and adversely affect our ability to retain our users.

**Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.**

In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》) having implications for the use of virtual currency. To curtail games that involve online gambling, as well as to address concerns that virtual currency could be used for money laundering or illicit trade, the circular: (i) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (ii) requires online game operators to impose limits on the use of virtual currency in guessing and betting games; (iii) bans the conversion of virtual currency into real currency or property; and (iv) prohibits services that enable players to transfer virtual currency to other players. In February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of Internet cafes and online games (《關於進一步加強網吧及網絡遊戲管理工作的通知》). Under the circular, the People’s Bank of China, or the PBOC, has authority to regulate virtual currency, including: (i) setting limits on the aggregate amount of virtual currency that can be issued by game operators and the amount of virtual currency that can be purchased by an individual; (ii) stipulating that virtual currency issued by game operators can only be used for purchasing virtual products and services within online games and not for purchasing tangible or physical products; (iii) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (iv) banning the trading of virtual currency.

On June 4, 2009, the MOC and MOFCOM jointly issued a notice regarding strengthening the administration of online game virtual currency (《文化部、商務部關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”). The notice requires businesses that (i) issue online game virtual currency (in the form of prepaid cards or prepayment or prepaid card points) or (ii) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The notice also prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. The notice further requires any online game operator engaged in the provision of a virtual currency transaction service to comply with relevant e-commerce regulations issued by the MOFCOM. On June 3, 2010, the MOC issued the Online Game Measures, which became effective on August 1, 2010, according to which: (i) companies that plan to engage in the operation of online games, issuance of virtual currency and provision of virtual currency transaction services shall obtain a license from the provincial counterpart of the MOC; (ii) virtual currency may only be used to purchase services and products provided by the online game operator that issues the currency; (iii) the purpose of issuing virtual currency shall not be malicious appropriation of the user’s advance payment; (iv) the storage period of online gamers’ purchase record shall not be shorter than 180 days; and (v) the type, price and total amount of virtual currency shall be filed with the provincial counterpart of the MOC.

The business range covered by the Internet Culture Operation Licenses of Shenzhen iDreamSky and certain other PRC subsidiaries includes the issuance of virtual currency. While we do not offer in-game virtual currency trading services, in some mobile games the players are allowed to purchase game points with Renminbi for use in those games. We cannot assure you that the PRC regulatory authorities will not take a view contrary to ours or will deem that we are not in full compliance with the regulations on virtual currency. In that event, we may be required to cease any activity that may be deemed a “trading service”, which may be subject to certain penalties, including but not limited to mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. It is unclear whether these restrictions would apply to certain aspects of our mobile games. If the PRC regulatory authorities take a view that certain of our game features are prohibited by the Virtual Currency Notice, we may be subject to penalties, including mandatory corrective measures and fines, and, therefore, our operational results and financial conditions may be adversely affected.

**Currently there is no law or regulation specifically governing virtual asset property rights and, therefore, it is unclear what liabilities, if any, mobile game operators may have for virtual assets.**

One of the features of our mobile multi-player online role-playing games (“MMORPGs”) which helps to build a large user base and maintain loyalty is that users can accumulate virtual tools, powers and rankings as they play the games. We believe that these virtual assets are highly valued by our users, particularly long-term users. However, on occasion, such assets can be lost if, for example, a user’s identity is stolen by another user or we experience a system error or crash. Other than the General Rules on the Civil Law of the People’s Republic of China (《中華人民共和國民法總則》), which was passed by the National People’s Congress on March 15, 2017, and shall take effect on October 1, 2017, and prescribes that network virtual property will be protected according to the laws and regulations stipulating the protection of such property, the Chinese government has not yet enacted any specific laws regarding virtual property rights. Accordingly, we have no basis to determine what the legal rights are, if any, associated with virtual assets, and what liabilities we could be exposed for the loss or destruction of virtual assets. In case of a loss of virtual assets, we may be sued by our users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations. We have not been involved in any virtual assets related law suits. However, we cannot assure you that such law suits will not be brought against us in the future.

Based on several judgments by PRC courts regarding the liabilities of game operators for loss of virtual assets by users, the courts have generally required the game operators to provide well-developed securities systems to protect such virtual assets owned by users, and have required some game operators to return the virtual items or be liable for the loss and damage incurred therefrom if the online game operators have been determined to be in default or held liable for infringement of users’ rights.

**Concerns about the use of personal data in compliance with PRC law could damage our reputation and deter current and potential users from using our services.**

Pursuant to the applicable PRC laws and regulations concerning the use and sharing of personal data, our PRC subsidiaries and consolidated affiliated entities are required to keep our users’ personal information confidential and are prohibited from disclosing such information to any third parties without the users’ consent. We apply strict management and protection to any information provided by users, such that, under our privacy policy, we will not provide any of our users’ personal information to any unrelated third party without our users’ prior consent. New laws and regulations, such as The Decision of the Standing Committee of the National People’s Congress on Strengthening Network Information Protection (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》), which was issued by the Standing Committee of the PRC National People’s Congress on December 28, 2012, and the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was promulgated by the MIIT on July 16, 2013 and took effect on September 1, 2013

further enhanced the legal protection of information security and privacy on the Internet. The laws and regulations also require Internet operators to take measures to ensure confidentiality of users' information. Whilst we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is shared with merchants or others may adversely affect our ability to share certain data with merchants, which may limit certain methods of targeted marketing. Concerns about the security of personal data could also lead to a decline in general Internet usage, which could lead to lower user traffic on our website. A significant reduction in user traffic could lead to lower revenues from paying users, which could have a material adverse effect on our business, financial condition and results of operations.

**The PRC law regulating the playing time of online games and users' age may adversely affect our business and operations.**

In 2007, eight PRC government authorities, including the GAPP, the Ministry of Education and the MIIT, jointly issued a notice requiring all Chinese online game operators to adopt an “anti-fatigue compliance system” in an effort to curb addiction to online games by minors (“**Anti-addiction Notice**”). Under the anti-fatigue compliance system, three hours or less of continuous play is defined to be “healthy,” three to five hours is defined to be “fatiguing”, and five hours or more is defined to be “unhealthy.” Game operators, including us, are required to reduce the value of game benefits for minor players by half when those players reach the “fatigue” level, and to zero when they reach the “unhealthy” level. In July 2011, these governmental authorities further issued the Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》), which provides, among other things, that the relevant authorities should strengthen the implementation of authentication of real names to promote an anti-addiction system in online games (but excluding mobile games). This system allows game operators to identify which players are minors. It is unclear whether these restrictions would be expanded to apply to adult players and mobile games in the future. In addition to the provisions of the foregoing notices, the GAPP does not require mobile games to be equipped with the anti-fatigue compliance system in order to be approved in practice. As such, we believe that anti-fatigue compliance system is not a compulsory requirement for mobile games, and therefore we have not implemented any anti-fatigue system in our mobile games. However, we cannot assure you that the governmental authorities will not subsequently take a view contrary to our understanding, or that our current anti-fatigue compliance system will not be regarded as insufficient by other relevant government authorities in the PRC. Failure to comply with the requirements under the Anti-addiction Notice may subject us to penalties, including but not limited to suspension of our operation of online games, revocation of the licenses and approvals for our operations, rejection of, or suspension of, our application for approvals and licenses, or refusal of our filings for any new game, prohibiting us from operating the same. Additionally, more stringent government regulations may be promulgated in future,



including stricter anti-fatigue rules, which could discourage players from playing our games, which could then have a material adverse effect on our business, financial condition, results of operations and prospects.

**Failure to make adequate contributions to various employee benefit plans as required by PRC laws and regulations may subject us to penalties.**

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance contributions and housing provident fund contributions for their employees, and entities failing to make contributions may be ordered to settle the outstanding contributions within a prescribed time limit or be subject to penalties or fines. We have not fully complied with the relevant regulations in relation to payment of social insurance contributions and housing provident fund contributions for all of our employees. There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC authorities as a result of such non-compliance incidents or be ordered to rectify such non-compliance incidents. There is also no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Any such penalties, orders or complaints may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

**Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from or linked to our apps or platforms.**

Our games, entertainment platforms and their related communities enable users to exchange information, generate and distribute content, and engage in various other online activities. However, because a majority of the communications on our platforms, including communication among game players in our WePlayKit communities and communication among users on WePlay App, is conducted in real time, we are unable to always verify the sources of all information posted thereon or examine the content generated by users before it is posted, even though we have already adopted a wordfilter and content control system. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate or illegal content that may be deemed unlawful under PRC laws and regulations on our platforms.

China has enacted laws and regulations governing Internet access and the distribution of news and other content, as well as products and services, through the Internet. The PRC government prohibits information that it believes to be in violations of PRC laws from being distributed through the Internet. In particular, the MIIT, the MOC and other competent government authorities have promulgated regulations that prohibit games from being distributed through the Internet if the games contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of China, or compromise state security or secrets. If any of the games we offer were deemed to violate any

such content restrictions, we would not be able to obtain the necessary government approval to continue such offerings and/or could be subject to penalties, including confiscation of income, fines, suspension of business and revocation of our licenses for operating mobile games, any of which would materially and adversely affect our business, financial condition, results of operations and prospects.

We may also be subject to potential liability for unlawful actions of our users or for content we distribute that is deemed inappropriate. We may be required to delete content that violates PRC laws and report content that we suspect may violate PRC laws, which may harm our reputation and reduce our user base, the amount of time users spend on our games and other products or the purchases of virtual items in our games and other products. It may be difficult to determine the type of content that may result in liability for us, and if we are found to be liable we may be prevented from operating our games or offering other services in China.

**Adverse changes in economic and political policies of the PRC government could negatively impact China's overall economic growth, which could materially and adversely affect our business.**

We conduct a vast majority of our operations in China. Accordingly, our business, financial condition, results of operations and prospects depend significantly on economic developments in China. China's economy differs from the economies of most other countries in many respects, including the amount of government involvement in the economy, the general level of economic development, growth rates and government control of foreign exchange and the allocation of resources. While the PRC economy has grown significantly over the past few decades, this growth has remained uneven across different periods, regions and economic sectors.

The PRC government also exercises significant control over China's economic growth by strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the PBOC's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which had the effect of slowing the growth of credit availability. In 2008 and 2009, however, in response to the global financial crisis, the PRC government loosened such requirements. Any actions and policies adopted by the PRC government or any prolonged slowdown in China's economy, particularly in the mobile apps industry, could have a negative impact on our business, operating results and financial condition in a number of ways. For example, our users may decrease spending on our offerings, while we may have difficulty expanding our user base fast enough, or at all, to offset the impact of decreased spending by our existing users.



**We may rely on dividends and other distributions from our PRC subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.**

As an offshore holding company, we may rely principally on dividends from our PRC subsidiaries for our cash requirements, dividends payments and other distributions to our shareholders, and to service any debt that we may incur, and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, PRC regulations permit our PRC subsidiaries to pay dividends only out of their accumulated after-tax profits, if any, as determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required each year to set aside at least 10% of its annual after-tax profits (as determined under PRC accounting standards), if any, into its statutory reserve fund until the aggregate amount of that reserve reaches 50% of such entity's registered capital. These reserves are not distributable as cash dividends.

If any of our PRC subsidiaries incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

**PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using the proceeds of any offering to make loans or additional capital contributions to our foreign-invested enterprises or PRC consolidated affiliated entities, which could materially and adversely affect our liquidity and ability to fund and expand our business.**

We may transfer funds to our directly owned PRC subsidiaries which are foreign-invested enterprises or FIEs, under PRC laws or finance such FIEs by means of shareholder loans or capital contributions, or to our consolidated affiliated entity by making loans, upon completion of our offerings. Any such loans to our FIEs cannot exceed statutory limits, which is either the difference between the registered capital and the total investment amount of such FIE or a multiple of the FIE's net assets in the previous year, and shall be registered or filed with SAFE, or its local counterparts. Any such loans to our consolidated affiliated entity are subject to PRC regulations and foreign exchange loan registration. Furthermore, if we make any capital contributions to FIEs, FIEs are required to register the details of the capital contribution with the local branch of SAMR and submit a report on the capital contribution via the online enterprise registration system to the MOFCOM.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular

No. 19, which took effect as of June 1, 2015, and replaced the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular No. 142 and the Circular on Relevant Issues Concerning the Pilot Reform of the Administration of the Conversion of Foreign Equity Capital of Foreign-Invested Enterprises in Certain Areas or SAFE Circular No. 36 from June 1, 2015. SAFE Circular No. 19 launched a nationwide reform of the administration of the settlement of foreign exchange capitals of foreign-invested enterprises; and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知), or SAFE Circular No. 16. SAFE Circular No. 19 and SAFE Circular No. 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from their foreign exchange capitals for expenditures beyond their business scopes, making investments (except for securities investment or non-guaranteed bank products), issuing loans to non-affiliated enterprises or constructing or purchasing real estate that is not for self-use. On October 23, 2019, the SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28. Among others, SAFE Circular 28 relaxes prior restrictions and allows foreign-invested enterprises whose approved business scope does not include equity investments to use their capital funds obtained from foreign exchange settlement to make domestic equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws.

The applicable foreign exchange circulars and rules may significantly limit our ability to use Renminbi converted from net proceeds from an offering to fund the establishment of new PRC subsidiaries, to invest in or acquire any other PRC companies, to provide additional funding to our consolidated affiliated entities or to establish new consolidated affiliated entities in the PRC, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

**Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.**

The conversion of Renminbi into foreign currencies, including Hong Kong dollar and U.S. dollars, is based on rates set by the People's Bank of China. On November 30, 2015, the Executive Board of the International Monetary Fund (“IMF”) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (“SDR”) and decided that, with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may, in the

future, announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

As we may rely on dividends and other fees paid to us by our subsidiaries and Shenzhen iDreamSky in China, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our shares in the Hong Kong dollar or the U.S. dollars. For example, if we decide to convert our Renminbi into Hong Kong dollar or U.S. dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar or the U.S. dollar against the Renminbi would have a negative effect on the Hong Kong dollar or the U.S. dollar amount available to us. We recorded RMB19.6 million, RMB39.5 million, RMB0.29 million and RMB2.8 million translation differences for the year ended December 31, 2017, 2018, 2019 and for the six months ended June 30, 2020, respectively.

**Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.**

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our companies in Cayman Islands rely primarily on dividend payments from our wholly owned PRC subsidiaries in China, WFOE, to fund any cash and financing requirements we may have.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. Therefore, WFOE may pay dividends in a foreign currency to us without pre-approval from SAFE. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. In light of the significant capital outflows from China since 2016, due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny over major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may, at its discretion, further restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

**Uncertainties and changes in the PRC legal system could materially and adversely affect our business.**

We conduct our business primarily through our PRC subsidiaries and affiliated entities in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until the violations have occurred. Furthermore, the PRC administrative and court authorities have significant discretions in interpreting and implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in the PRC versus other more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to enforce our contractual or tort rights. Such uncertainties may result in substantial operating expenses and costs, and any litigation in China may result in diversion of resources and management's attention, and therefore materially and adversely affect our business and results of operations. We cannot predict future developments in the PRC legal system. We may be required to procure additional permits, authorizations and approvals for our operations, which we may not be able to obtain. Our inability to obtain such permits or authorizations may materially and adversely affect our business, financial condition and results of operations.

The PRC government extensively regulates the Internet industry, including the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. With regard to the mobile game industry in China, various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the SAIC, the MOC, the SAPPRFT, and the Ministry of Public Security, are empowered to promulgate and implement regulations governing various aspects of the Internet and the mobile game industries. There exist inconsistencies and ambiguities in the regulations promulgated by different government authorities. We are required to obtain applicable permits or approvals from different regulatory authorities in order to provide mobile game services. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Risks and uncertainties relating to PRC regulation of Internet

businesses include, but are not limited to, the following: (1) new laws, regulations or policies may be promulgated or announced that will regulate Internet activities, including mobile game businesses; if these new laws, regulations or policies are promulgated, additional licenses may be required for our operations; and if our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties, and our business operations could be disrupted; (2) there are uncertainties relating to the regulation of the Internet industry in China, including evolving licensing requirements, which means that permits, licenses or operations of some of our companies may be subject to challenge, or we may fail to obtain or renew permits or licenses that applicable regulators may deem necessary for our operations; if we fail to maintain or obtain the required permits or licenses, we may be subject to various penalties, including fines and discontinuation of, or restriction on, our operations; and any penalty may disrupt our business operations and have a material adverse effect on our results of operations; and (3) the interpretation and application of existing or future PRC laws, regulations and policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet businesses in China, including our business; we cannot assure you that we will be able to maintain our existing licenses or obtain any new licenses required under any existing or new laws or regulations. There are also risks that we may be found to be in violation of existing or future laws and regulations, given the uncertainty and complexity of China's regulation of Internet businesses. If current or future laws, rules or regulations regarding Internet-related activities are interpreted in such a way as to render our ownership structure and/or business operations illegal or non-compliant, our business could be severely impaired, and we could be subject to severe penalties.

**Failure to comply with the registration requirements for employee share option plans may subject our PRC equity incentive plan participants or us to fines and other legal or administrative sanctions.**

On February 15, 2012, SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular No. 7, to replace the previous Operating Procedures for Administration of Domestic Individuals Participating in the Employee Stock Ownership Plan or Stock Option Plan of Offshore Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE in March 2007. SAFE Circular No. 7 regulates foreign exchange matters associated with employee stock option incentives or similar incentives permitted under applicable laws and regulations granted to PRC residents by companies whose shares are listed on offshore stock exchanges.

In accordance with SAFE Circular No. 7, all PRC residents who participate in share incentive plans of an overseas public company are required, through the PRC subsidiaries of the overseas public company, to jointly entrust a PRC agent to handle foreign exchange registration with SAFE or its local office and complete procedures relating to the share incentive schemes, such as

opening accounts and capital transfers. PRC residents include PRC nationals or foreign citizens having been consecutively residing in PRC for not less than one year, acting as directors, supervisors, senior management personnel or other employees of PRC companies affiliated with such offshore listed company. A PRC agent can be one of the PRC subsidiaries of the offshore listed company participating in the share incentive scheme or another PRC institution qualified for asset trusteeships as designated by the PRC subsidiaries and in accordance with PRC laws. The foreign exchange proceeds received by the PRC residents from sale of shares under share incentive plans granted by offshore listed companies must be remitted to bank accounts in China opened by the PRC agents. Further, a Notice Concerning Individual Income Tax on Earnings from Employee Stock Options, jointly issued by the Ministry of Finance and the State Administration of Taxation, or the SAT, provides that domestic companies that implement employee share option programs must file the employee share option plans and other relevant documents with local tax authorities having jurisdiction over the companies before implementing such plans, and must file share option exercise notices and other relevant documents with local tax authorities before their employees exercise any share options.

Following our initial public offering in 2018 on the Hong Kong Stock Exchange, we and our PRC employees who are granted restricted shares or exercised share options granted under our share incentive plans have been subject to these regulations. We plan to complete, and advise our employees to complete, these procedures in connection with our share incentive plans. However, we cannot assure you that registration procedures with SAFE or its local counterparts in full compliance with SAFE Circular No. 7 will be completed on a timely basis, if at all. The failure to complete these procedures may subject us, or those of our PRC employees holding restricted shares or share options under our share incentive plans, to fines and other legal or administrative sanctions.

**We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences for us and our non-PRC shareholders.**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of, the business, production, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or



personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. See *“Business — Taxation — People's Republic of China Taxation.”* However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the shares.

**Discontinuation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.**

Our PRC subsidiaries are incorporated in the PRC and are governed by applicable PRC income tax laws and regulations. The EIT Law and its implementing rules, both of which came into effect on January 1, 2008, together with the EIT Law's further revisions of February 24, 2017, impose a statutory rate of 25% on PRC enterprises. The government grants we recognised in our statement of comprehensive income were RMB24,958,000, RMB14,381,000 and RMB15,876,000 for the years ended December 31, 2017, 2018, 2019, respectively. The tax benefits we recognised in our statement of comprehensive income were RMB27,033,000, RMB48,554,000, RMB85,523,000 and RMB31,678,000 for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively.

Preferential tax treatments and incentives granted to us by PRC governmental authorities are subject to review and may be adjusted or revoked at any time in the future. We cannot guarantee that the preferential tax treatments and incentives to which our PRC subsidiaries are currently entitled would be successfully renewed. In addition, while the PRC enterprise income tax is generally imposed based on actual taxable income, some of our subsidiaries pay enterprise income tax based on a deemed profit calculation. We cannot assure you that the local tax authorities will



not, in the future, change their position and discontinue any of our current tax treatments, potentially with retroactive effect. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

In addition, our PRC subsidiaries and consolidated affiliated PRC entities have received various financial subsidies from PRC local government authorities. The financial subsidies are discretionary incentives and policies adopted by PRC local government authorities. Local governments may decide to change or discontinue such financial subsidies at any time. The discontinuation of such financial subsidies, or imposition of any additional taxes, could adversely affect our financial condition and results of operations.

**The EIT Law will affect tax exemptions on dividends to be paid by our PRC subsidiaries to us through our Hong Kong subsidiary, and we may not be able to obtain certain treaty benefits under the relevant tax treaty.**

We are a holding company incorporated under the laws of the Cayman Islands and, as such, rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise, unless the jurisdiction of the foreign investor’s tax residence has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement and relevant PRC tax laws on the interpretation of the Arrangement, a preferential withholding tax rate of 5% may apply if the PRC enterprise is at least 25% held by the Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and certain other conditions, e.g., the beneficial ownership requirements, are met. Furthermore, under the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, which became effective in August 2015, the applicant for the preferential withholding rate is required to make a recordal with its in-charge tax authority and submit all the requisite application materials. No government approval for the application is required, although the relevant tax authorities may challenge the applicability of the preferential withholding rate later on. See “Business — Taxation — People’s Republic of China Taxation.” We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority, or that we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate under the Double Taxation Arrangement with respect to dividends to be paid by our PRC subsidiaries to iDreamsky Holding (HK).

**Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.**

According to the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or Circular No. 7, promulgated by the SAT in February 2015 and further revised in October and December 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through the transfer of the equity interests of an offshore holding company without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and treat the indirect equity transfer as a direct transfer. As a result, the gain derived from such transfer, i.e., the transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of Circular 7, a transfer that meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company are directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or, in the year before the indirect transfer, over 90% of the offshore holding company's revenue is directly or indirectly derived from PRC territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring and sale of the shares in our offshore subsidiaries. We and our non-PRC resident investors may be subject to filing obligations in such transactions, under Circular 7. See "Taxation — People's Republic of China Taxation." For transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist with the filing under Circular 7. As a result, we may be required to expend valuable resources to comply with Circular 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circumstances, which may have a material adverse effect on our financial condition and results of operations.

**The enforcement of labor contract law and increase in labor costs in the PRC may adversely affect our business and our profitability.**

China adopted a labor contract law on January 1, 2008, and its implementation rules became effective September 18, 2008. The labor contract law and its implementation rules impose more stringent requirements on employers with regard to, among others, minimum wages, severance payment upon permitted termination of the employment by an employer and non-fixed term employment contracts, and time limits for the probation period, as well as the duration and the times that an employee can be placed on a fixed term employment contract. Due to the limited period of effectiveness of the labor contract law and its implementation rules, and the lack of

clarity with respect to their implementation, potential penalties and fines, it is uncertain how they will impact our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules and we may be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

## **RISKS RELATING TO THE BONDS, THE SHARES, AND THE GUARANTEE**

### **The Bonds and the Guarantee are unsecured obligations.**

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

**If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in its respective debt agreements (if any), or the Bonds, as applicable, there could be a default under the terms of these agreements, or the Bonds, as applicable, which could cause repayment of the relevant debt to be accelerated.**

If the Guarantor or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Bonds or current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable, or terminate the agreements, as the case may be. Furthermore, those debt agreements and the Bonds contain, or may contain, cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or any of its subsidiaries under one debt

agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occurs, there can be no assurance that there would be sufficient assets and cash flows of the Guarantor or any of its subsidiaries to repay in full all of their respective indebtedness, or that they would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor and its subsidiaries.

**Holders of the Bonds are not entitled to rights with respect to the Shares prior to conversion of the Bonds, but are subject to changes made with respect to the Shares.**

Holders of the Bonds (“**Bondholders**”) are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company’s articles requiring shareholder approval, and the record date for determining the shareholders on record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

**Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares.**

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

**Future issuances of Shares or equity-related securities may depress the trading price of the Shares.**

Any issuance of the Company’s equity securities after the offer of the Bonds could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt to equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds, or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or

the perception that such sales may occur) could depress the market price of the Shares, and impair the Company's ability to raise capital through the sale of additional equity securities. There is no restriction on the Company's ability to issue bonds or the ability of any of the Company's shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that the Company will not issue bonds or that the Company's shareholders will not dispose of, encumber or pledge the Shares. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

**The market price of the Bonds may fluctuate, and Bondholders will bear the risk of fluctuations in the price of the Shares.**

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular, further issuance of debt or corporate events such as share sales, reorganisations, takeovers or share buybacks) of the Group and/or the subsidiaries and/or associated companies of the Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, the Group and/or the subsidiaries and/or associated companies of the Group generally. Adverse economic developments in the PRC could have a material and adverse effect on the results of operations and/or the financial condition of the Group and/or the subsidiaries and/or associated companies of the Group.

In addition, the market price of the Bonds at any time will be affected by fluctuations in the market price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

**The Company's results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares.**

The market price of the Shares will also be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Company operates, and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

**Conversion of the Bonds would dilute the ownership interest of existing shareholders, and could also adversely affect the market price of the Shares.**

The conversion of some or all of the Bonds would dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

**Holders have limited anti-dilution protection.**

The Conversion Price (as defined in “*Terms and Conditions of the Bonds*”) will be adjusted in the event that there is, among others, a subdivision, consolidation, re-designation or reclassification of Shares, rights issue, distribution, capitalisation of profits or reserves or other events. See “*Terms and Conditions of the Bonds — Conversion — Adjustments to Conversion Price*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. In particular, there is no conversion price adjustment (a) where Shares are issued pursuant to any employee share scheme or plan, or (b) when Shares are redeemed or purchased by or on behalf of the Company and the consideration does not exceed a certain price, each subject to and set out in the Terms and Conditions of the Bonds. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

**The liquidity and price of the Bonds following this offering may be volatile.**

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

**Developments in other markets may adversely affect the market price of the Bonds.**

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, including interest rates globally. Although economic conditions are different in each country, investors’ reactions to developments in one country can affect the securities markets and the securities of issuers in other countries.

There have been significant changes and proposed changes to U.S. trade policies, treaties, tariffs and taxes, including trade policies and tariffs regarding China, which have created significant uncertainty about the future relationship between U.S. and China, as well as other countries, including with respect to the trade policies, treaties, government regulations and tariffs that could apply to trade with those countries.

The PRC economy faces challenge in the short- to medium-term. Continued turbulence in the international markets and prolonged decline in consumer spending, as well as any slowdown of economic growth, may adversely affect our liquidity and financial condition.

In addition, in the wake of a referendum in the UK in June 2016, in which the majority of voters voted in favour of an exit from the European Union (“**Brexit**”), there was an increase in volatility in the global financial markets. On January 31, 2020, the UK officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The UK and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent, and the uncertainty, of the negotiation, the effect of Brexit remains unknown, and Brexit has created, and may continue to create, negative economic impact and increase volatility in the global market.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the Group’s business operation. In addition, any further tightening of liquidity in the global financial markets may negatively affect the Group’s liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, the Group’s business, financial condition and results of operations may be adversely affected.

**An active trading market for the Bonds may not develop, and the transfer of the Bonds will be restricted.**

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made to the SGX-ST for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only. However, no assurance can be given that an active trading market for the Bonds would develop, or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds, or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall. In addition, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Bonds.



If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds would trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the price of the Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition, and in general market and economic conditions; or
- the Group's financial condition and historical financial performance and future prospects.

The Bonds or the Shares issuable upon conversion of the Bonds are not registered under the Securities Act or other securities laws. Unless and until the Bonds and the Shares are registered, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act, and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares issuable upon conversion thereof will not be freely tradable absent registration or an exemption from registration.

**The Issuer or the Guarantor may not have the ability to redeem the Bonds upon the due date of redemption thereof.**

Bondholders may require the Issuer, subject to certain conditions, to redeem all or some of their Bonds at the option of the Bondholders as described in "*Terms and Conditions of the Bonds — Redemption at the Option of Bondholders*" upon the occurrence of a Relevant Event as described under "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Relevant Event*". The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time, or the ability to arrange necessary financing on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The Issuer's and the Guarantor's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer or the Guarantor would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

**The Bonds may be redeemed early at the Issuer's option.**

The Issuer may, on giving not less than 30, nor more than 60, days' notice: (i) at any time after (and excluding) October 16, 2023 and prior to the Maturity Date, redeem the Bonds in whole, but not in part, at their principal amount together with any interest accrued up to but excluding the date specified for redemption in the Optional Redemption Notice, provided that the Closing Price of the Shares for any 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which the relevant Optional Redemption Notice is published, was at least 130 per cent. of the Conversion Price then in effect immediately prior to the date upon which the relevant Optional Redemption Notice is given; or (ii) redeem the Bonds in whole, but not in part, at their principal amount, together with interest accrued up to but excluding the date of redemption, at any time if, prior to the date the relevant Optional Redemption Notice is given, at least 90 per cent. in aggregate principal amount of the Bonds originally issued (which shall, for this purpose, include any further bonds issued in accordance with Condition 17 (*Further Issues*) of the Terms and Conditions and consolidated and forming a single series therewith) has already been converted, redeemed or purchased and cancelled. In addition, the Bonds may be redeemed at the option of the Issuer in whole, on giving not less than 30 days, nor more than 60 days' notice, at their principal amount together with interest accrued up to but excluding the date of redemption if the Issuer (or the Guarantor, as the case may be) becomes obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of certain events set out in the Terms and Conditions and such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it. As a result, the trading price of the Bonds may be affected when the redemption options of the Issuer becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds. In addition, the proceeds from the redemption of the Bonds may be reinvested by the Bondholders and the Bondholders, may thereby be subject to additional risks associated with such reinvestment.

**Any failure to submit the relevant filings with the NDRC Notice within the prescribed time-frame, following the completion of the issuance of the Bonds, may have adverse consequences for the Company and/or investors of the Bonds.**

The NDRC issued the NDRC Notice on 14 September 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued over one year outside the PRC with the NDRC prior to the issue of the securities, and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.

The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Guarantor obtained the NDRC Pre-issuance Registration Certificate on February 13, 2020. Similarly, the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Notice are unclear. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC Notice may result in

it being unlawful for the Issuer and/or the Guarantor to perform or comply with any of its obligations under the Bonds, and the Bonds might be subject to enforcement as provided in Condition 15 of the Terms and Conditions of the Notes. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. The Company has undertaken to file, or cause to be filed, with the NDRC the particulars the issue of the Notes within the prescribed timeframe after the date of issuance and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-Issuance Reporting.

**The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.**

Since the Issuer and the Guarantor are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to the Issuer and the Guarantor, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions.

**The Bonds may not be a suitable investment for all investors.**

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal payments is different from the potential investor's currency;
- understand thoroughly the terms and conditions of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. A potential investor should not invest in the Bonds unless he/she has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds, and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are suitable legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

**The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances (including, without limitation, being requested or directed by the Bondholders pursuant to Conditions 10 (*Events of Default*) and 15 (*Enforcement*) of the Terms and Conditions), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed; and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed and the Terms and Conditions and applicable laws and regulations, it will be for the Bondholders to take such actions directly.

**Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.**

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders who did not attend and vote at the relevant meeting, and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individuals.

**Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee and the Agency Agreement.**

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed or the Terms and Conditions of the Bonds which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Bondholders, and to any modification of the Trust Deed or the Terms and Conditions of the Bonds which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach, or current breach, of the provisions of the Bonds or the Trust Deed (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

In addition, the Trustee may, without the consent of the Bondholders, determine that any Event of Default or a Potential Event of Default (both terms as defined in the Trust Deed) or any failure to comply with any of the provisions of the Bonds, the Trust Deed, the Agency Agreement and/or the Terms and Conditions of the Bonds (other than a proposed breach, or a breach relating to the subject of certain reserved matters) should not be treated as such; provided that, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

**The Group will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries**

The Group will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions such as Hong Kong, and may be different from the standard required by the Hong Kong Stock Exchange, where the Shares are listed. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

**The Bonds will initially be represented by the Global Certificate, and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.**

Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each a “**Clearing System**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer, the Trustee and the Agents have no responsibility or liability for the records relating to beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Issuer or the Guarantor may issue additional bonds, which may affect the price of the Bonds. The Issuer or the Guarantor may raise additional capital through the issue of other bonds or other means. Other than certain restrictions on issuing certain secured relevant indebtedness as set out in Condition 4(a) of the Terms and Conditions of the Bonds, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur, and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a winding-up of the Issuer or the Guarantor. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

**The Issuer and/or the Guarantor's obligations under the Bonds and the Guarantee may be subordinated to the secured obligations of the Issuer and/or the Guarantor.**

The Terms and Conditions of the Bonds provide that, so long as any Bond remains outstanding, neither the Issuer nor the Guarantor will create, or have outstanding, any Security Interests (as defined in the Terms and Conditions of the Bonds) upon the whole or any part of its or their present or future undertaking, assets or revenues to secure any Relevant Indebtedness (as defined in the Terms and Conditions of the Bonds), or any guarantee or indemnity in respect of any Relevant Indebtedness, in each case except for any Permitted Security Interest (as defined in the Terms and Conditions of the Bonds), without, at the same time or prior thereto, according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably, or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

If the Issuer or the Guarantor creates, or has outstanding, any Security Interests that is either a Permitted Security Interest, or is in respect of any indebtedness other than the Relevant Indebtedness, the rights and entitlements of the Bondholders under the Bonds may be subordinated to those of the holders or beneficiaries of those Security Interests.

**Interest payable by us to our foreign investors and gain on the sale of our Bonds may become subject to withholding taxes under PRC tax laws.**

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”), if we are deemed a PRC resident enterprise, the interest payable on the Bonds will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if there is such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realised on the transfer of the Bonds by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC “resident enterprise”, so it is unclear whether the interest payable to our foreign investors, or the gain our foreign investors may realise from the transfer of our Bonds, would be treated as income sourced within China and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on our interest payable to those of our foreign shareholders who are “non-resident enterprises”, we will be required to pay such additional amounts as are necessary to ensure receipt by the holder of the full amount which the holder would have received but for such withholding. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flows. In addition, if you are required to pay PRC income tax on the transfer of our Bonds, the value of your investment in our Bonds may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise”, holders of our Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

**Exchange rate risks and exchange controls may affect an investor’s returns on the Bonds.**

The Group will pay principal and interest on the Bonds in Hong Kong dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than Hong Kong dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Hong Kong dollars or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Hong Kong dollar would decrease: (i) the Investor’s Currency-equivalent yield on the Bonds; (ii) the Investor’s Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor’s Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.



**Changes in market interest rates may adversely affect the value of the Bonds.**

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain, but interest payments received may be reinvested at lower prevailing interest rates. As the Bonds will carry a fixed interest rate, the trading price of the Bonds will consequently vary with fluctuations in interest rates. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds.*

The issue of the HK\$775,000,000 in aggregate principal amount of 3.125 per cent. Guaranteed Convertible Bonds due 2025 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Dreambeyond Holdings Limited (the “**Issuer**”) and the right of conversion into Shares (as defined in Condition 6(A)(iv)) was authorised by the board of directors of the Issuer on 25 September 2020. The Bonds are guaranteed by iDreamSky Technology Holdings Limited (創夢天地科技控股有限公司) (the “**Guarantor**”) pursuant to the Trust Deed (as defined below). The giving of the Guarantee (as defined below) was authorised by the minutes of a meeting of the board of directors of the Guarantor held on 25 September 2020. The Bonds are constituted by the trust deed dated 16 October 2020 (the “**Issue Date**”) (as amended and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (in such capacity, the “**Trustee**”, which expression shall include all successor trustee and all persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated 16 October 2020 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent and principal conversion agent (collectively in those capacities, the “**Principal Agent**”, which expression shall include any successor principal agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any successor transfer agent appointed from time to time in connection with the Bonds) and the other paying agents, conversion agents and transfer agents appointed under it (in such capacities, the “**Paying Agent**” and the “**Conversion Agent**”, together with any additional or successor paying agent or conversion agent, as the case may be, appointed from time to time in connection with the issue of the Bonds, and together with the Registrar, the Transfer Agent and the Principal Agent, the “**Agents**”) relating to the Bonds. In these terms and conditions (the “**Conditions**”), references to the “**Paying Agents**” and the “**Conversion Agents**” each include the Principal Agent. References to “**Agents**” below are references to the Principal Agent, the Registrar, any Transfer Agent and any other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Bonds.

Certain provision of these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds, and the Agency Agreement. Copies of the Trust Deed and of the Agency Agreement are available for inspection at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) at the principal office for the time being of the Trustee (being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) and at the specified office for the time being of the Principal Agent, following prior written request and proof of holding to the satisfaction of the Trustee or, as the case may be, the Principal Agent.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered.

## **1 Form, Authorised Denomination and Title**

### **(A) Form and Denomination**

The Bonds are issued in registered form in the specified denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 thereof (each, an “**Authorised Denomination**”). The Bonds are evidenced by registered certificates (each a “**Certificate**”) and, save as provided in Condition 3(B), each Certificate shall evidence the entire holding of Bonds by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate.

*Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

### **(B) Title**

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing (other than the endorsed form of transfer, duly completed) on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

## **2 Status of the Bonds and Guarantee**

### **2.1 Status of the Bonds**

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(A)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to Condition 4(A), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

### **2.2 Guarantee**

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Bonds (the “**Guarantee**”). The Guarantee constitutes direct, unconditional, unsubordinated and (subject to the provisions of Condition 4(A)) unsecured obligations of the Guarantor and will rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Guarantor.

## **3 Transfers of Bonds; Issue of Certificates**

### **(A) Register**

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

### **(B) Transfer**

Subject to Condition 3(E) and the terms of the Agency Agreement, a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Transfer Agents together with such evidence as the Registrar or such Transfer Agent (as the case may be) may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. No transfer of a Bond will be valid or effective unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.*

**(C) Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed and provision of any other evidence required by the Registrar or the relevant Transfer Agent as contemplated in Condition 3(B), be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive delivery of definitive Certificates.*

Where only some of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery or surrender of the original Certificate and the provision of any other evidence required by the Registrar or the relevant Transfer Agent as contemplated in Condition 3(B) to the Registrar or, as the case may be, any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, Condition 6 and Condition 10, “**business day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent, to whom delivery or surrender of the form of transfer, Certificate and evidence shall have been made, is located.

**(D) Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent subject to (a) the person making such application for transfer paying or procuring the payment (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent (as the case may be) or pre-funding as Issuer may require) in respect of any taxes, assessments, duties and other governmental charges which may be imposed in relation to such transfer, (b) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the

documents of title or identity of the person making the application and (c) the Registrar or the relevant Transfer Agent (As the case may be) being satisfied that the Regulations (as defined in Condition 3(F)) has been complied with.

#### **(E) Restricted Transfer Periods**

No Bondholder may require the transfer of a Bond to be registered (a) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions (including any date of redemption pursuant to Condition 8(B)); (b) after a Conversion Notice (as defined in Condition 6(B)(i)) has been delivered with respect to a Bond; or (c) after a Relevant Event Put Exercise Notice (as defined in Condition 8(D)) or Optional Put Exercise Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond. Each such period is a “**Restricted Transfer Period**”.

#### **(F) Regulations**

All transfer of Bonds and entries on the Register will be made subject to the then current regulations concerning transfers of Bonds (the “**Regulations**”), the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer from time to time, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee.

### **4 Negative Pledge and Covenants**

#### **(A) Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will ensure that none of their respective Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (collectively, “**Security Interests**”) upon the whole or any part of its or their present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, in each case except for any Permitted Security Interest, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In this Condition 4(A), “**Permitted Security Interest**” means:

- (a) any Security Interest either over any asset acquired after the Issue Date which is in existence at the time of such acquisition or in respect of the obligations of any person which becomes a Subsidiary of the Issuer or the Guarantor, as the case may be, after the Issue Date which is in existence at the date on which it becomes such a Subsidiary;

- (b) any Security Interest created in connection with the refinancing of any obligations referred to in paragraph (a) above;
- (c) any Security Interest on any property or asset securing Relevant Indebtedness if (i) by the terms of such indebtedness it is expressly provided that recourse by the holders of such indebtedness is limited to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon and (ii) such indebtedness is not guaranteed by the Issuer, the Guarantor or any Subsidiary;
- (d) any Security Interest on any property or asset of the Issuer, the Guarantor or any Subsidiary which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice; or
- (e) any lien arising by operation of law,

except that in the case of paragraphs (b), (c) and (d) of this definition, the Relevant Indebtedness that such Security Interest is created in connection with shall be offered pursuant to a private placement only and not a public offering.

#### **(B) Notification to NDRC**

The Guarantor undertakes that it will (i) within the prescribed time period, file or cause to be filed with the National Development and Reform Commission of the PRC (the “**NDRC**”) the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外[2015]2044號)) (the “**NDRC Circular**”) issued by the NDRC and effective as of 14 September 2015 and any implementing rules, guidelines and/or regulations as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws, rules and regulations in connection with the NDRC Post-issuance Filing.

#### **(C) Notification of Submission of NDRC Post-issue Filing**

The Guarantor shall within 15 Registration Business Days after submission of the NDRC Post-issue Filing, provide the Trustee with (i) a certificate (substantially in the form scheduled to the Trust Deed) in English signed by an Authorised Signatory of the Guarantor confirming (A) the submission of the NDRC Post-issue Filing and (B) no Relevant Event, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any), each certified in English by an Authorised Signatory of the Guarantor as a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Guarantor shall,



within five Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 11) confirming the submission of the NDRC Post-issue Filing.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure that the NDRC Post-issue Filing is made as required by Condition 4(C) or to assist with the NDRC Post-issue Filing or to verify the accuracy, validity and/or genuineness of any Registration Documents or any translation or certification thereof or to give notice to the Bondholders confirming the submission of the NDRC Post-issue Filing, and shall not be liable to Bondholders or any other person for any of the foregoing and for not doing so.

“**PRC**” means the People’s Republic of China and, for the purposes of these Conditions, does not include Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Shenzhen, PRC;

“**Relevant Indebtedness**” means any future or present indebtedness that is issued or incurred outside the PRC and which is in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities which are, or are issued with the intention on the part of the issuer thereof that they should be, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market, which for the avoidance of doubt does not include indebtedness under any bilateral, syndicated or club loan or loan facility; and

a “**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

## **5 Interest**

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.125 per cent. per annum, payable semi-annually in arrear on 16 April and 16 October in each year (each an “**Interest Payment Date**”), commencing on 16 April 2021. If any Interest Payment Date would otherwise fall on a day which is not a Payment Business Day (as

defined in Condition 7(F)) it shall be postponed to the next day which is a Payment Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Payment Business Day.

Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined in Condition 6(B)(i)), or if none, the Issue Date (subject in any case as provided in Condition 6(B)(vii)), or (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof and due surrender of the Certificate evidencing such Bond, payment of principal is improperly withheld or refused. In such event, it will continue to bear interest at the Default Rate (both before and after judgment) until whichever is the earlier of (x) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (y) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per HK\$1,000,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount shall be equal to the product of (A) the rate of interest specified above, (B) the Calculation Amount and (C) the actual amount of days in the Interest Period (or such other period), divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest payable under this Condition 5 will be paid in accordance with Condition 7(A).

In these Conditions:

- (i) the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.
- (ii) “**Default Rate**” shall be 6.125 % per annum.

## **6 Conversion**

### **(A) Conversion Right**

- (i) *Conversion Period*: Subject as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Shares (as defined in Condition 6(A)(iv)) credited as fully paid at any time during the Conversion Period referred to below. The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”.

Subject to and upon compliance with the Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (a) on or after the date which is 41 days after the Issue Date (both dates inclusive) to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling seven days prior to the Maturity Date (as defined in Condition 8(A)) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter), (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, up to the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or 8(E), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the “**Conversion Period**”).

A Conversion Right may not be exercised (a) in respect of a Bond where the holder shall have exercised its right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D) or 8(E) or (b) except as provided in Condition 6(A)(iii) following the giving of notice by the Trustee pursuant to Condition 10.

Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Issuer is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a “**Book Closure Period**”), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(B)(i)) following the expiry of such Book Closure Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

The price at which Shares will be issued upon exercise of a Conversion Right (the “**Conversion Price**”) will initially be HK\$4.99 per Share, but will be subject to adjustment in the circumstances described in Condition 6(C).

The number of Shares to be issued on the exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted by the Conversion Price in effect on the relevant Conversion Date (as defined in Condition 6(B)(i)). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same

holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted rounded down to the nearest whole number of Shares.

- (ii) *Fractions of Shares:* Fractions of Shares will not be issued on the exercise of Conversion Rights and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 6 October 2020 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid, provided that such sum exceeds HK\$100.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee with a bank in Hong Kong in accordance with instructions given by the relevant Bondholder in the Conversion Notice.
- (iii) *Revival and/or Survival after Default:* Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee in cleared and immediately available funds and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined in Condition 6(B)(i)) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 6(B)(i)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been duly received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

- (iv) *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means ordinary shares of par value US\$0.0001 each of the Guarantor or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Guarantor.

**(B) Conversion Procedure**

- (i) *Conversion Notice*: Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Certificate to the specified office of any Conversion Agent during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) at the place where the Certificate evidencing such Bond is deposited for conversion accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Conversion Agent, together with (a) the relevant Certificate; and (b) any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

If such delivery is made after 3:00 p.m. on any business day or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day. Any Bondholder who deposits a Conversion Notice during a Closed Period will not be permitted to convert the Bonds into Shares (as specified in the Conversion Notice) until the next business day after the end of the Closed Period, which (if all other conditions to the conversion have been fulfilled) will be the Conversion Date for such Bonds notwithstanding that such date may fall outside the Conversion Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorised Denomination. A Conversion Notice, once delivered, shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

The conversion date in respect of a Bond (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv)) and will be deemed to be the Stock Exchange Business Day (as defined in this Condition 6(B)(i)) immediately

following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity under these Conditions in connection with the exercise of such Conversion Right. “**Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which the Relevant Stock Exchange (as defined in Condition 6(F)) is open for trading of securities.

- (ii) *Stamp Duty etc.*: A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and/or capital, stamp, issue, documentary and registration and transfer taxes and duties (“**Duties**”) arising on such exercise (other than any Duties payable in the Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer or the Guarantor in respect of the allotment and issue of Shares and listing of the Shares on the Relevant Stock Exchange on conversion or the Alternative Stock Exchange, being the “**Issuer Duties**”) (the “**Taxes**”). The Issuer (failing which, the Guarantor) will pay all other expenses arising on the issue of Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Shares (the “**Share Transfer Agent**”). The Bondholder (and, if different, the person to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Taxes payable pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid.

If the Issuer or the Guarantor shall fail to pay any Issuer Duties, the relevant holder shall be entitled to tender and pay the same and the Issuer (failing which the Guarantor) as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible for paying any Duties, Taxes, expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Duties are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer, the Guarantor or any Bondholder to pay such Duties, Taxes, expenses or other amounts.

- (iii) *Registration*: Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii) the Guarantor will, as soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date, and in respect of which a duly completed Conversion Notice and the relevant Certificate

have been delivered and amounts payable by the relevant Bondholder as required by Conditions 6(B)(i) and 6(B)(ii) have been paid, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Guarantor's share register in Hong Kong and will, if the relevant Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("CCASS") effective from time to time, take all necessary action to procure that Shares are delivered through CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Guarantor's share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's and the Guarantor's obligations to pay the principal and premium (if any) on such converted Bonds.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Guarantor's register of members (the "**Registration Date**").

- (iv) The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.
- (v) *Retroactive Adjustments*: If the Conversion Date in relation to the conversion of any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition



6(C), but before the relevant adjustment becomes effective (the “**Relevant Effective Date**”) under the relevant Condition (a “**Retroactive Adjustment**”), upon the relevant adjustment becoming effective the Guarantor shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares (“**Additional Shares**”) as is, together with Shares to be issued on conversion of the Bond(s), equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Shares references in this Condition 6(B)(v) to the Conversion Date shall be deemed to refer to the Relevant Effective Date (notwithstanding that the Relevant Effective Date falls after the end of the Conversion Period).

- (vi) *Equivalent Amounts*: If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B)(vi) prior to the time such Retroactive Adjustment shall have become effective), the Issuer (failing which, the Guarantor) will calculate and pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the “**Equivalent Amount**”) equal to the Fair Market Value (as defined in Condition 6(F)) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by transfer to a Hong Kong dollar account maintained by the payee with a bank in Hong Kong in accordance with instructions given by the relevant Bondholder in the Conversion Notice.
- (vii) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend

or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee with a bank in Hong Kong in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

**(C) Adjustments to Conversion Price**

The Conversion Price will be subject to adjustment as follows:

- (1) **Consolidation, Subdivision, Redesignation or Reclassification:** If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

(2) **Capitalisation of Profits or Reserves:**

- (i) If and whenever the Guarantor shall issue any Shares credited as fully paid to the holders of Shares (“**Shareholders**”) by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend)) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share on the date of announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which

Shareholders have elected to receive as Shares issued by way of Scrip Dividend, and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (3) **Distributions:** If and whenever the Guarantor shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which the Distribution is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution in Hong Kong dollars attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually paid or made or if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Financial Adviser may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Guarantor.

- (4) **Rights Issues of Shares or Options over Shares:** If and whenever the Guarantor shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (5) **Rights Issues of Other Securities:** If and whenever the Guarantor shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

- (6) **Issues at less than Current Market Price:** If and whenever the Guarantor shall issue (otherwise than as mentioned in Condition 6(C)(4)) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4)) options, warrants or other rights (other than the Conversion Rights under the Bonds, which excludes any further bonds issued pursuant to Condition 17) to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such grant or issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Guarantor of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.



- (7) **Other Issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Guarantor or any of its Subsidiaries (otherwise than as mentioned in Condition 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Guarantor upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities.

- (8) **Modification of Rights of Conversion etc.:** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the maximum number of Shares which the aggregate consideration receivable by the Guarantor for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion exchange or subscription attaching to such securities.

- (9) **Other Offers to Shareholders:** If and whenever the Guarantor or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Guarantor or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6(C)(4), 6(C)(5), 6(C)(6), 6(C)(7) or 6(C)(8)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

- (10) **Other Events:** If the Guarantor determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Guarantor shall, at its own expense, consult an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Adviser such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Financial Adviser to be in its opinion appropriate to give the

intended result. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Guarantor's equity caused by such events or circumstances.

- (11) **Adjustment upon Change of Control:** If a Change of Control shall occur, the Issuer shall give to Bondholders notice of that fact (a “**Change of Control Notice**”) in accordance with Condition 11 within seven days after it becomes aware of such Change of Control (with a copy to the Trustee). Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1 + (CP \times \frac{c}{t})}$$

Where:

NCP is the Conversion Price after such adjustment;

OCP is the Conversion Price before such adjustment. For the avoidance of doubt, OCP shall be the Conversion Price in effect on the relevant Conversion Date;

CP is the conversion premium of 17.5 per cent. expressed as a fraction;

c is the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t is the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(C)(11) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period.

On the business day immediately following the last day of the Change of Control Conversion Period, the Conversion Price shall be re-adjusted to the Conversion Price in force immediately before the adjustment to the Conversion Price during the Change of Control Conversion Period.

**(D) Undertakings**

The Issuer and Guarantor, jointly and severally undertakes that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) in the case of the Guarantor, it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on the Hong Kong Stock Exchange, and if the Guarantor is unable to obtain or maintain such listing, to use all reasonable endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Guarantor may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Shares (as a class) by any such stock exchange;
- (ii) it will use all reasonable endeavours to maintain the listing of the Bonds on the SGX and if the Issuer is unable to maintain such listing, to use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Bonds by any such stock exchange;
- (iii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Shares arising on conversion of the Bonds (save for any Duties payable by the relevant Bondholder as specified in Condition 6(B)(ii));
- (iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by applicable laws, rules and regulations.

In the Trust Deed, each of the Issuer and the Guarantor has also undertaken with the Trustee that so long as any Bond remains outstanding:

- (i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (ii) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Guarantor, provided always that the Guarantor shall not be prohibited from purchasing the Shares to the extent permitted by applicable laws, rules and regulations.

Each of the Issuer and the Guarantor has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

**(E) Provisions Relating to Changes in Conversion Price**

- (i) *Minor adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee and the Conversion Agent promptly after the determination thereof.
- (ii) *Decision of an Independent Financial Adviser:* If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 6(C) should be made, and following consultation between the Issuer, the Guarantor and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer, the Guarantor, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Guarantor's equity caused by such events or circumstances.

- (iii) *Minimum Conversion Price*: Notwithstanding the provisions of this Condition 6, the Issuer undertakes *that*: (a) the Conversion Price shall not in any event be reduced to below the nominal or par value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.
- (iv) *Reference to “fixed”*: Any references herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be *expressed* as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- (v) *Multiple events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Adviser, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Adviser to be in its opinion appropriate in order to give such intended result.
- (vi) *Upward/downward adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(1). The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(E)(iii).
- (vii) *Trustee and Agents not obliged to Monitor*: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so or for any delay by the Issuer or the Guarantor in making a determination or any erroneous determination in connection with the Conversion Price.
- (viii) *Notice of Change in Conversion Price*: The Issuer shall give notice to the Bondholders in accordance with Condition 11 and if required by the relevant listing rules, to the Hong Kong Stock Exchange and to SGX, of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.



- (ix) *Share Scheme Shares/Options*: Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted, appropriated or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Guarantor or any Subsidiary pursuant to any employee share scheme or plan (and which employee share scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange) (“**Share Scheme Shares/Options**”).

## **(F) Definitions**

For the purposes of these Conditions:

“**Affiliate**” means, with respect to any person, any other person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such person. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with”, as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise;

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

“**Capital Stock**” means, with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity;

a “**Change of Control**” occurs when any one of the following events occur:

- (a) the Issuer ceases to be 100% (either directly or indirectly) legally and beneficially owned by the Guarantor;
- (b) any Person or Persons, other than the Permitted Holders, acting together by contract or otherwise, acquires Control of the Guarantor;
- (c) any Person or Persons, other than the Permitted Holders, hold more Shares of the Guarantor than the aggregated holdings of the Permitted Holders; or

- (d) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any Person other than the Permitted Holders, unless the consolidation, merger, sale or transfer will not result in such other Person, individually or together with other Persons, acquiring Control of the Issuer or its successor;

“**Control**” over a Person means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or the majority of the members of such Person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

“**Closing Price**” means, in respect of a Share for any Trading Day, the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such Trading Day;

“**Common Stock**” means, with respect to any person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such person’s common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

“**Current Market Price**” means, in respect of a Share on a particular date, the average of the daily Closing Prices of one Share for the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Day), such date of announcement; provided that if at any time during such 20 Trading Day period the Shares shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Shares shall have been quoted cum-dividend (or cum-any other entitlement) then:

- (a) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value any such dividend or entitlement per Share; or
- (b) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the Closing Price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value any such dividend or entitlement per Share;

and provided further that:

- (i) if on each of the said 20 Trading Days the Shares have been quoted cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share in any such case determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax and disregarding any associated tax credit; and
- (ii) if the Closing Price of a Share is not available on one or more of the said 20 Trading Days (disregarding for this purpose the proviso to the definition of Closing Price), then the average of such Closing Prices which are available in that 20 Trading Day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Closing Price is available in the relevant period, the Current Market Price shall be determined by an Independent Financial Adviser;

In making any calculation or determination of Current Market Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or subdivision of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event.

**“Distribution”** means, on a per Share basis:

- (i) the aggregate distribution of assets in specie by the Guarantor for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect hereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and
- (ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Guarantor for any financial period (whenever paid and however described), provided that a purchase or redemption of Shares by or on behalf of the Guarantor (or a purchase of Shares by or on behalf of a Subsidiary of the Guarantor) shall not constitute a Distribution unless the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds the Current Market Price of a Share by more than five per cent. either (x) on that date, or (y) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of

such announcement and, if in the case of either (x) or (y), the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of (a) 105 per cent. of such Current Market Price and (b) the number of Shares so purchased or redeemed.

In making any such calculation, such adjustments (if any) shall be made as an Independent Financial Adviser may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares;

**“Fair Market Value”** means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Adviser on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such dividend in cash determined as at the date of announcement of such dividend (in which case no determination by an Independent Financial Adviser would be required); (ii) the fair market value of any other cash amount shall be equal to such cash amount (in which case no determination by an Independent Financial Adviser would be required), and (iii) where securities are or will be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Adviser), the fair market value of such securities shall equal the arithmetic mean of the daily closing prices of such securities during the period of 5 Trading Days commencing on the first such Trading Day (or if later, the first such Trading Day such securities are publicly traded). Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

**“Hong Kong Stock Exchange”** means The Stock Exchange of Hong Kong Limited or its successor thereto;

**“Independent Financial Adviser”** means an independent financial adviser of international repute selected and appointed by the Guarantor (at the cost of the Guarantor) and notified in writing to the Bondholders and the Trustee. The Trustee shall not be responsible for or under any obligation to appoint an Independent Financial Adviser and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it;

**“Permitted Holders”** means any Person and those other Persons directly or indirectly Controlled by such Person who owns or controls 15 per cent. or more of the voting rights of the issued share capital of the Guarantor on 5 October 2020;

a **“person”** includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

**“Preferred Stock”** as applied to the Capital Stock of any person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such person, over shares of Capital Stock of any other class of such person;

**“Prevailing Rate”** means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

**“Relevant Cash Dividend”** means the aggregate cash dividend or cash distribution declared by the Guarantor, including any cash dividend in respect of which there is any Scrip Dividend;

a **“Relevant Event”** occurs:

- (i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 20 consecutive Trading Days on Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange;
- (ii) when less than 25 per cent. of the Guarantor’s total number of issued shares are held by public; or
- (iii) when there is a Change of Control;

**“Relevant Page”** means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

**“Relevant Stock Exchange”** means at any time, in respect of the Shares, the Hong Kong Stock Exchange or the Alternative Stock Exchange;

**“Scrip Dividend”** means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition

6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(C)(2)(ii));

“**SGX**” means Singapore Exchange Securities Trading Limited or its successor;

“**Trading Day**” means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of the Guarantor; and

“**Voting Stock**” means, with respect to any person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

References to any issue or offer or grant to Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

## **7 Payments**

### **(A) Method of Payment**

Payment of principal, premium and interest and any other amount due will be made by transfer to the registered account of the Bondholder. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any of the Paying Agents.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

*So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (each, a “**relevant clearing system**”), such payments will be made to the person shown as the holder in the Register at the*

*close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

**(B) Registered Accounts**

For the purposes of this Condition 7, a Bondholder’s registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second Payment Business Day (as defined in Condition 7(F)) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

**(C) Payments Subject to Fiscal Laws**

All payments of principal, premium (if any) and interest under the Bonds are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 9 and (ii) if applicable, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 any law implementing an intergovernmental approach thereto). No commission or expenses shall be charged to the Bondholders in respect of such payments.

**(D) Payment Initiation**

Payment instructions (for value on the due date or, if that is not a Payment Business Day (as defined in Condition 7(F)), for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

**(E) Delay in Payment**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).



## **(F) Payment Business Day**

In this Conditions 5 and 7, “**Payment Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place in which the specified office of the relevant Paying Agent is located.

## **(G) Agents**

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents, provided that it will maintain (i) a Principal Agent, (ii) a Registrar with a specified office outside Hong Kong and the United Kingdom, and (iii) such other agents as may be required by the Hong Kong Stock Exchange. Notice of any changes in any Agent or their specified offices will promptly be given to the Bondholders.

# **8 Redemption, Purchase and Cancellation**

## **(A) Maturity**

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 16 October 2025 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 8(B) or 8(C) (but without prejudice to Condition 10).

## **(B) Redemption for Taxation Reasons**

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the “**Tax Redemption Date**”) at their principal amount as at such date together with interest accrued but unpaid up to but excluding such date (if any), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 October 2020, and (ii) such obligation cannot be avoided by the

Issuer (or, as the case may be, the Guarantor) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or as the case may be, the Guarantor) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee (a) a certificate in English signed by an Authorised Signatory of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 8(B) cannot be avoided by the Issuer (or as the case may be, the Guarantor) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment referred to in (i) above of this Condition 8(B) has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled (but shall not be obliged) to accept and rely on such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out above in (i) and (ii) of this Condition 8(B), in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and incur no liability to any Bondholder or any other person for or in respect of any action taken, omitted or suffered in reliance upon such certificate and opinion.

On the Tax Redemption Date, the Issuer (subject to the following paragraph of this Condition 8(B)) shall be bound to redeem the Bonds at their principal amount, together with interest accrued but unpaid up to but excluding the Tax Redemption Date (if any).

If the Issuer issues a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m. Monday to Friday, public holidays excepted) at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) from the specified office of any Paying Agent (the “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer’s consent.

### **(C) Redemption at the Option of the Issuer**

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) and to the Bondholders in accordance with Condition 11, the Issuer may:

- (i) at any time after (and excluding) 16 October 2023 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount together with any interest accrued but unpaid up to but excluding the date specified for redemption in the relevant Optional Redemption Notice (the "**Optional Redemption Date**"), provided that the Closing Price of the Shares for any 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which the relevant Optional Redemption Notice is published was at least 130 per cent. of the Conversion Price then in effect immediately prior to the date upon which the relevant Optional Redemption Notice is given; or
- (ii) at any time redeem in whole, but not in part, the Bonds at their principal amount together with interest accrued but unpaid up to but excluding the Optional Redemption Date if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith).

### **(D) Redemption for Relevant Event**

Following the occurrence of a Relevant Event (as defined in Condition 6(F)), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at their principal amount together with interest accrued but unpaid up to but excluding such date (if any). To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form set out in the Agency Agreement, or for the time being current, obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holidays excepted) from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. The Agents and the Trustee will not be responsible or liable to Bondholders for any loss arising from any failure by it to do so.

The Issuer shall give notice to Bondholders in accordance with Condition 11 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event.

#### **(E) Redemption at the Option of Bondholders**

The holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on 16 October 2023 (the "**Optional Put Date**") at their principal amount together with interest accrued but unpaid up to but excluding such date. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holiday excepted) at the specified office of any Paying Agent a duly completed and signed exercise notice, in the form for the time being current, obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, public holiday excepted) from the specified office of any Paying Agent (an "**Optional Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not more than 60 nor less than 30 days prior to the Optional Put Date.

An Optional Put Exercise Notice, once delivered, shall be irrevocable without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the relevant Optional Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Optional Put Date.

#### **(F) Purchase**

Each of the Issuer, the Guarantor and their respective Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

## **(G) Cancellation**

All Certificates evidencing Bonds which are redeemed, converted or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries, will be surrendered to the Registrar for cancellation and upon surrender thereof, all such Bonds and Certificates shall forthwith be cancelled. Certificates so surrendered for cancellation and the relevant Bonds may not be reissued or resold.

## **(H) Redemption Notices**

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (a) the Conversion Price as at the date of the relevant notice; (b) the last day on which Conversion Rights may be exercised; (c) the Closing Price of the Shares on the latest practicable date prior to the publication of the notice; (d) the applicable redemption amount and accrued and unpaid interest payable (if any); (e) the date for redemption; (f) the manner in which redemption will be effected; and (g) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

## **9 Taxation**

All payments of principal, premium (if any) and interest made by or on behalf of the Issuer or the Guarantor in respect of the Bonds shall be made free from any restriction or condition, and be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied collected, withheld or assessed by or within the Cayman Islands, Hong Kong or the PRC or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to and including the aggregate rate applicable on 6 October 2020 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will pay such additional amounts so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within Hong Kong or the Cayman Islands, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (i) *Other connection:* to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong, the Cayman Islands or the PRC otherwise than by the mere holding of the Bond or by the receipt of amounts in respect of the Bond; or
- (ii) *Presentation more than 30 days after the Relevant Date:* (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**Relevant Date**” in respect of any Bond means the date on which such payment in respect of it first becomes due or (if any amount payable is improperly withheld or refused or has not been received by the Trustee or the Principal Agent on or prior to such due date) the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal and interest shall be deemed also to refer to any Additional Tax Amounts or other additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(B).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessments, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such tax, duty, assessments, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, assessment, charge, withholding or other payment imposed by or in any jurisdiction.

## 10 Events of Default

### (A) Events of Default

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed), or if so directed by an Extraordinary Resolution, shall (subject to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become due and repayable at their principal amount together with accrued interest (if any) up to but excluding the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6):

- (i) *Non-Payment*: the Issuer fails to or the Guarantor fails to procure the Issuer to pay the principal of or any interest on any of the Bonds when due and the default continues for a period of three (3) days; or
- (ii) *Failure to deliver Shares*: the Issuer fails to or the Guarantor fails to procure the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Bonds and such failure continues for a period of three (3) Trading Days; or
- (iii) *Breach of Other Obligations*: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Bonds, or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee is capable of remedy, is not in the opinion of the Trustee remedied within 10 days after written notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (iv) *Cross-Acceleration*: (a) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), (b) any such indebtedness is not paid when due on maturity or, as the case may be, within any applicable grace period, or (c) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due on maturity any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(A)(iv) have occurred equals or exceeds U.S.\$10 million or its equivalent (as determined on the basis of the middle



spot rate for relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid under any *such guarantee or indemnity*); or

- (v) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 10 days; or
- (vi) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) against any substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 10 days; or
- (vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, the Guarantor or any of the Principal Subsidiaries (except for a members' voluntary solvent winding-up of a Subsidiary) and such order is not discharged or stayed within 10 business days, or the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of their respective Subsidiaries, whether due to a disposal of such Principal Subsidiary on an arm's length basis or otherwise; or
- (viii) *Insolvency*: the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any substantial part of such debts or a moratorium is agreed or declared in respect of or affecting all or any substantial part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; an administrator or liquidator of the Issuer, the Guarantor or any the Principal Subsidiaries or the whole or any substantial part of the assets and turnover of the Issuer, the Guarantor or any of the Principal Subsidiaries is appointed and such appointment is not discharged or stayed within 14 business days; or

- (ix) *Nationalisation*: any step is lawfully taken by a competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (x) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (xi) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (xii) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(A)(i) to 10(A)(xi) (both inclusive).

For the purposes of this Condition 10(A), “**Principal Subsidiary**” means any Subsidiary of the Guarantor:

- (A) as to which one or more of the following conditions is satisfied:
  - (I) its revenue or (in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) consolidated revenue attributable to the Guarantor is at least 10% of the consolidated revenue of the Guarantor and its Subsidiaries, including the Guarantor and its consolidated Subsidiaries’ share of revenue of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or
  - (II) its gross assets or (in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) consolidated gross assets attributable to the Guarantor are at least 10% of the sum of (1) the consolidated gross assets of the Guarantor and its Subsidiaries, and (2) the Guarantor and its consolidated Subsidiaries’ share of the gross assets or (in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) consolidated gross assets of each Subsidiary of the Guarantor whose accounts are not consolidated with the accounts of the Guarantor and after adjustment for minority interests; or

(III) its profit after tax or (in the case of a Subsidiary of the Guarantor which itself has Subsidiaries) consolidated profit after tax attributable to the Guarantor, is at least 10% of the consolidated profit after tax of the Guarantor and its Subsidiaries, including the Guarantor and its consolidated Subsidiaries' share of profit after tax of Subsidiaries not consolidated and of associated companies and after adjustments for minority interests, all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) (or, if not available, the latest management accounts) of the Subsidiary of the Guarantor and the then latest audited consolidated financial statements of the Guarantor;

provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated revenue, gross assets and profit after tax shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Guarantor; (3) if, in the case of a Subsidiary, no accounts are audited, its revenue, gross assets and profit after tax (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and (4) if the accounts of a subsidiary of the Guarantor (not being a Subsidiary referred to in proviso (1) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary of the Guarantor is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Guarantor and its Subsidiaries; or

(B) to which is transferred all or substantially all of the assets of a Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall forthwith cease to be a Principal Subsidiary (notwithstanding paragraph (A) above of this definition) and the Subsidiary of the Guarantor to which the assets are so transferred shall become or remain a Principal Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of paragraph (A) above of this definition.

A certificate in English, and in the form set forth in the Trust Deed, of a director of the Guarantor who is also an Authorised Signatory certifying that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive

and binding on the Bondholders. Any such certificate shall be accompanied by an extraction of the figures used and of the calculations made by the Guarantor in determining the Principal Subsidiaries of the Guarantor.

#### **(B) Notice to Bondholders**

The Issuer shall upon receipt of a notice from the Trustee in respect of an Event of Default notify the Bondholders pursuant to Condition 11 of the Conversion Price as at the date of such notice and the number of Shares per Bond to be delivered upon conversion.

### **11 Notices**

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing, unless such notices are duly published in a manner as provided below. The Issuer shall ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.*

### **12 Prescription**

Claims in respect of amounts due in respect of the Bonds will become prescribed and become void unless made within 10 years (in the case of principal or premium) and five years (in the case of interest) from the appropriate Relevant Date.

### **13 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security and/or prefunding as the Issuer or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 14 Meetings of Bondholders, Modification and Waiver

### (A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (each, a **“Reserved Matter”**), including consideration of proposals, *inter alia*, (a) to modify the maturity of the Bonds, the Optional Redemption Date or the dates on which interest is payable in respect of the Bonds, (b) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 8(B), 8(C), 8(D) or 8(E), (c) to reduce or cancel the principal amount, interest or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of interest, (d) to change the currency of denomination or payment of the Bonds, (e) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (f) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution (subject to Condition 14(B), in which case the necessary quorum to pass an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed or whether they voted contrary to the majority).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of Bonds outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

## **(B) Modification and Waiver**

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (a) any modification (other than a modification relating to Reserved Matters) of any of the provisions of the Trust Deed, the Agency Agreement or the Bonds (together the “**Documentation**”) which in the Trustee’s opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or to comply with mandatory provisions of law, (b) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of these Conditions, or, any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders, and (c) any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any such modification and any authorisation or waiver which is in writing shall be notified by the Issuer, failing whom, the Guarantor, to the Bondholders promptly in accordance with Condition 11.

## **(C) Entitlement of the Trustee**

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

*In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(A), a modification, waiver or authorisation in accordance with Condition 14(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 11.*

## **15 Enforcement**

The Trustee may, at any time, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement and the Bonds, but it needs not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed) and (b) it shall have been indemnified and/or secured and/or

pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

## **16 Indemnification of the Trustee**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction before taking any action and relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments and other amounts in priority to the claims of the Bondholders. In addition, the Trustee and each of the Agents is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity relating to the Issuer or the Guarantor without accounting for any profit. The Trustee may rely without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate, information or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, information or certificate or advice, in which case such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor and/or any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instruction, direction or request of the Bondholders. The Trustee shall be entitled to rely on any



instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to monitor whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

## **17 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for the submission of the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

## **18 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds and the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, except and to the extent (if any) that it is expressly provided in these Conditions or in the Trust Deed for the Act to apply to any of the terms herein or in the Trust Deed, but this shall not affect any rights or remedies which exist or are available apart from such Act.

## **19 Governing Law and Submission to Jurisdiction**

### **(A) Governing Law**

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### **(B) Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Bonds (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer and the Guarantor have irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

### **(C) Service of Process**

The Issuer and the Guarantor have, in the Trust Deed and Agency Agreement, irrevocably agreed to receive service of process in any Proceedings in Hong Kong in relation to the Bonds at its business address in Hong Kong, currently at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. If for any reason the Issuer or the Guarantor no longer has a business address in Hong Kong, the Issuer and the Guarantor have, in the Trust Deed and the Agency Agreement, irrevocably agreed to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer) such an agent by written notice to the Issuer. Nothing herein shall affect the right to serve process in any other manner permitted by law.

### **(D) Waiver of Immunity**

The Issuer and the Guarantor have, in the Trust Deed and Agency Agreement, waived any right to claim sovereign, crown, state or other immunity from jurisdiction or execution and any similar defence, and has, in the Trust Deed, irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM**

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

### **Meetings**

For the purposes of any meeting of Bondholders, the registered holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each HK\$1,000,000 in principal amount of Bonds for which the Global Certificate is issued.

### **Cancellation**

Cancellation of any Bond following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

### **Conversion**

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bond. Deposit of the Global Certificate with the Principal Agent together with the relevant conversion notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

### **Payment**

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means Monday to Friday, inclusive except December 25 and January 1.

## **Calculation of Interest**

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate.

## **Notices**

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any alternative clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such alternative clearing system, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions.

## **Bondholder's Redemption**

The Bondholder's redemption option in Condition 8(D) (*Redemption for Relevant Event*) and Condition 8(E) (*Redemption at the option of shareholders*) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

## **Redemption at the Option of the Issuer**

The option of the Issuer provided for in Condition 8(B) (*Redemption for Taxation Reasons*) and Condition 8(C) (*Redemption at the Option of the Issuer*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

## **Conversion of Bonds Represented by Global Certificates**

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention

to effect such conversion and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

### **Transfers**

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

## **USE OF PROCEEDS**

The Issuer estimates that the total net proceeds from the offering of the Bonds, after deducting commissions to be charged by the Manager, will be approximately HK\$758 million. The net proceeds will be paid into a bank account in the name of the Guarantor and used for the Group's research and development of its own games and products, and supplementing its capital for strategic opportunities in the future.

## CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the actual consolidated capitalisation and indebtedness of the Company as of June 30, 2020 and as adjusted to give effect to the issuance of the Bonds before deducting the underwriting discounts and commissions and other estimated expenses relating to this offering payable by the Company.

Investors should read this table in conjunction with the Company's unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2020 included elsewhere in this Offering Circular.

	As of June 30, 2020			
	Actual		As Adjusted	
	(RMB in thousands)	(HK\$ in thousands) <sup>(1)</sup>	(RMB in thousands)	(HK\$ in thousands) <sup>(1)</sup>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Debts</b>				
Short-term borrowings . . . . .	820,300	899,833	820,300	899,833
Convertible bonds . . . . .	235,611	258,455	235,611	258,455
Long-term borrowings . . . . .	816,512	895,677	816,512	895,677
The Bonds to be issued <sup>(2)</sup> . . . . .	—	—	706,501	775,000
<b>Total debts</b> . . . . .	<u>1,872,423</u>	<u>2,053,965</u>	<u>2,578,924</u>	<u>2,828,965</u>
<b>Equity</b>				
Share capital . . . . .	75	82	75	82
Share premium . . . . .	2,542,476	2,788,983	2,542,476	2,788,983
Reserves . . . . .	446,324	489,598	446,324	489,598
Retained earnings . . . . .	755,712	828,982	755,712	828,982
Non-controlling interests . . . . .	398,915	437,592	398,915	437,592
<b>Total equity</b> . . . . .	<u>4,143,502</u>	<u>4,545,237</u>	<u>4,143,502</u>	<u>4,545,237</u>
<b>Total capitalisation<sup>(3)</sup></b> . . . . .	<u>6,015,925</u>	<u>6,599,202</u>	<u>6,722,426</u>	<u>7,374,202</u>

Notes:

<sup>(1)</sup> H.K. dollar translations are provided for indicative purposes only. These translations were calculated based on an exchange rate of RMB7.0651 to U.S.\$1.00 and HK\$7.7501 to U.S.\$1.00, each being the noon buying rate in New York City on June 30, 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York.

<sup>(2)</sup> The Bonds should be bifurcated into and separately accounted for as debt component and equity or derivative liability component according to International Financial Reporting Standards. For illustrative purposes only, the initial proceeds from issuance of the Bonds as a whole have been presented as the Bonds to be issued under "Debts" in the above table.

<sup>(3)</sup> Total capitalisation equals the sum of total debts and total equity.

There has not been any material change in the consolidated capitalisation and indebtedness of the Company since June 30, 2020.



## **DESCRIPTION OF THE ISSUER**

### **History and Introduction**

The Issuer was incorporated under the laws of the Cayman Islands with limited liability on November 7, 2019. As of the date of this Offering Circular, the Issuer has share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. The Issuer is the Company's wholly-owned subsidiary and, as of the date of this Offering Circular, has carried on no business other than entering into arrangements for the issue of the Bonds. As of the date of this Offering Circular, the Issuer has no outstanding borrowings and has no contingent liabilities other than the issue of the Bonds. The Issuer is not required under the laws of Cayman Islands to file, and does not propose to file, any of its interim or annual accounts.

As of the date of this Offering Circular, the Issuer has one subsidiary, Dream Cradle Holdings Limited.

### **Management**

The sole director of the Issuer as of the date of this Offering Circular is CHEN Xiangyu.

The registered office of the Issuer is situated at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

## DESCRIPTION OF THE GUARANTOR AND THE GROUP

### OVERVIEW

We are a digital entertainment platform with a leading position in the game publishing market in China, with 142 million average MAUs for the six months ended June 30, 2020.

We operate games as a service. We adopt a free-to-play model for all of our games, constantly enrich content offerings and in-game social functions to users and generate revenue from sales of in-game virtual items, whereby we prolong game lifecycle and enhance user engagement to achieve monetization. We have also expanded our service offerings to other digital entertainment areas, such as e-sports, comics and video.

We believe our organic growth has been fueled by our *iDreamSky Flywheel*, each component, being an accelerator, will further empower all other components, and therefore form a self-spinning and reinforcing growth cycle, as illustrated below:



- We strive to offer high-quality content to users as the core of our growth philosophy;
- We believe high-quality content will effectively attract users and hence build a massive user base;
- Leveraging our user insights, technology and industry resources, we offer diversified digital entertainment services to enhance user stickiness and engagement;

- Our strong operational capabilities enable us to maximize user value and achieve strong monetization;
- Success in commercialization attracts top-tier content providers and empowers our game development, which sustain our supply of quality content.

As a result, we have achieved a track record of consistently and successfully launching popular games in China, such as *Subway Surfers* (地鐵跑酷), *Temple Run 2* (神廟逃亡2), *Gardenscapes* (夢幻花園) and *Homescapes* (夢幻家園).

Leveraging our in-depth user insights, our content development capabilities have been effectively enhanced. As at June 30, 2020, we had self-developed games across a wide range of game genres, including role-playing games (“RPGs”), endless running, matching puzzle and causal competition games. In addition, our user traffic has also enabled us to provide advertising services.

Our revenue increased from RMB2,364.6 million in 2018 to RMB2,793.0 million in 2019, and increased from RMB1,431.3 million in the first half of 2019 to RMB1,591.6 million in the first half of 2020. Our profit for the years ended 2018 and 2019, and for the six months ended June 30, 2020 were RMB267.8 million, RMB360.4 million and RMB147.9 million, respectively. Our adjusted profit for the years ended 2018 and 2019, and for the six months ended June 30, 2020 were RMB443.6 million, RMB553.2 million and RMB215.4 million, respectively.

## OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and position, as well as our continued growth.

### Large and highly engaged user network

We have achieved significant user scale on our platform. For the six months ended June 30, 2020, we had average MAUs of 142.0 million, increased 9.1% from the corresponding period for the six months ended June 30, 2019. In addition, we have self-operated channels to acquire new users in a cost-efficient manner.

We are a user centric company. We engage our users and improve user experience through our extensive portfolio of popular games, frequent content updates, and both online and offline campaigns. Through our multi-dimensional data analysis engine, we are able to gain user insights and effectively cater to different user needs. We offer tailor-made in-game services based on user interests and behavior patterns to effectively engage users. As a result, we believe that our users are highly engaged to our platform.

Our massive user base and precise user targeting techniques enable us to cross-promote our mobile games and diverse digital entertainment services to our users. We also provide advertising services to businesses attracted by our user traffic generated from our massive user base.

### **Global game sourcing and strong operating capabilities**

We believe high-quality and well-operated games are keys to our success, allowing us to attract a large number of users and maintain our competitive advantage in the mobile game market in China. Our solid partnerships with global game developers is attributable to several factors, including our strong reputation, leading position in the mobile game publishing market in China and solid relationship with well-known game developer partners, which ensures our steady supply of high-quality games into our product pipeline.

In addition to licensing games directly from game developers, our alternative models include custom game development, acquisition of game source codes and IP incubation and development, which allow us to secure a visible pipeline of high-quality games.

Leveraging our operational experiences, massive user base and data analytical skills, we have also gained expertise in identifying mobile games globally, with a strong potential for success in China's sophisticated game market.

Furthermore, we differentiate ourselves from other game publishers in China with our strong ability to consistently obtain source codes from global game developers that trust us, this is based on our longstanding track record. This provides us with a distinct advantage to redesign and optimize overseas games for the China market, as well as strong operating capabilities, including aspects such as language, functionality, monetization strategy and smartphone compatibility. In addition, our massive data gained from our large user base, coupled with our strong data analytical capabilities, enable us to gain unique insights into our users' behaviour and thus provide guidance to our game sourcing, operation and monetization.

### **A synergetic business model empowered by complementary game publishing and development capabilities**

As a seasoned and leading game publishing platform in China, we have accumulated expertise in game operations coupled with in-depth knowledge of the sophisticated mobile game industry in China. We understand user habits through multi-dimensional data analysis. We have learned about the gameplay behaviour of our users over the years, keeping a close track of the evolution of their interests and tastes, and we have therefore, gained profound knowledge of each game genre's design principles, gameplay and operations. This knowledge, combined with insights that we have gained during the process of game redesign and optimization for games licensed from third parties made it the natural next step for us to develop our own mobile games in-house.

Expanding into mobile game development provides us with two benefits: (i) in-house developed games, in addition to strengthening our game pipeline, allow for higher-margin potential and more flexible monetization options to maximize user value, and (ii) in-house developed games form part of our core assets and position us well for future monetization.

### **Diversified digital entertainment resources for content and service offerings**

Our users have increasingly diverse demands for digital entertainment content and services. Leveraging our large user base and game publishing operation expertise, we are able to gain access to a variety of upstream and other resources to deliver diverse digital entertainment content and services for our users.

Through extensive collaboration with key market players in the digital entertainment industry, we are able to develop promising monetization opportunities. We have also been connecting upstream and other resources to incubate or develop valuable IPs for our core business of game development and publishing.

Furthermore, we understand that our users' demand for digital entertainment cannot be completely satisfied online. In September 2017, we established the *Great Moments Voyage* brand, an offline digital entertainment destination with recreational facilities, such as private rooms for games and videos showings. We believe our *Great Moments Voyage* brand offers online and offline digital entertainment in an innovative way to attract and serve users. We believe that the comprehensive digital entertainment experience we offer to our users through our online to offline model creates an effective barrier to entry against our competitors.

### **Strong data analytics and robust technology**

We believe that data analysis is crucial for the success of our business. Adopting a multi-dimensional user data analysis engine, we analyze massive amounts of user data gained through our online and offline channels. We also successfully developed *WePlayKit*, an SDK, which we provide to global game developers that can be incorporated into their games to improve operational efficiency. *WePlayKit* enables us to analyze user and behaviour data across different games globally. We also leverage our data analysis capabilities to enhance user engagement and ultimately maximize our user value.

The massive data accumulated through our operations, coupled with our multi-dimensional data analysis engine, allows us to better understand our users, provide more customized products and services, and enhance user experience. For example, based on our understanding of user demands, we provide customized in-game virtual items and other value-added services to users, including customized financial products through collaboration with certain financial institutions.

In addition, our usage of cloud-based infrastructure provides higher scalability, increased operating capacity and lower operating costs. We have migrated the majority of our servers and computing infrastructure to *Tencent Cloud*.

### **Experienced management team with profound industry insights and strong execution capability**

Our senior management team is led by our founder and chief executive officer, Mr. Chen Xiangyu. Members of our senior management team include Mr. Guan Song, our co-founder and chief technology officer, Mr. Jeffrey Lyndon Ko, our co-founder and president, Mr. Lei, Junwen, our chief financial officer and Mr. Ho, Mario Yau Kwan, our chief marketing officer.

Our founding team members have been working together since 2011 and each member has over 10 years' gaming and technology related experience. Our senior management team possesses extensive industry experience, in-depth understanding of market trends and rich operational expertise that enable us to successfully adapt to our changing industry and competitive landscape. Their strong business vision and execution capabilities have led to a proven track record of successful publishing and operation of games in China.

## **OUR STRATEGIES**

We intend to pursue the following strategies to further grow our business:

### **Enrich high-quality content offered to users**

We will continue to enrich high-quality content offered to our users. We value our games, game licenses and IPs as our core assets, and we believe that a relatively small amount of very high-quality content can rapidly attract a large number of users. In addition to developing our own or incubating games, we strive to source, license or possess such high-quality content through multiple channels. Historically, we had enriched the high-quality content offered to our users by obtaining game distribution licenses externally. Going forward, we plan to strengthen and expand our capability across the digital content value chain by having better control over our source of content.

We believe having control over high-quality IPs would help us commercialize products and services more quickly. Therefore, we plan to enrich our high-quality content by: (1) having better control over our source of IPs through acquisition and through self-developing IPs, in order to ensure reliable content sources; (2) strengthening our IP sourcing capability and building higher competitive barriers; and (3) guaranteeing the number of pipeline games through customized IPs and lowering content acquisition costs. Doing so, would enable us to develop and commercialize the best content in the form of products and services, which is an important strategy to help attract and capitalize on our user base and obtain a relatively large number of users within a short period of time at a lower cost. We plan to enhance our IP sourcing and developing capability and

strengthen our IP sourcing team through acquisition of talents and new technologies. Leveraging our solid relationships with top-tier global game developers, we plan to acquire and self-develop IPs and associated assets relating to popular literature, comics, animation and movies. As a result, we plan to devote significant amount of net proceeds towards the above in order to strengthen our IP sourcing capabilities.

We will also strengthen our indieSky platform, our proprietary platform for indie game developers, which gives us a wider pool of games to select from.

### **Further expand user base and enhance user engagement**

We believe continuous offering of diverse digital entertainment services will further expand our user base and enhance our user engagement. We will continue to improve our existing game services, further develop in-game communities and expanding the network of *Great Moments Voyage*. Furthermore, we will further enhance and expand our diversified service offerings of digital entertainment, including e-sports, comics and video.

### **Achieve stronger monetization**

We will continue to apply our data analytical capabilities to areas such as real-time monitoring of the popularity of virtual items. This will enable us to continue to enhance our data-driven monetization efforts.

We will also explore other methods of monetization, both in-game and for other digital entertainment services that we offer. In particular, we will strengthen our cooperation with *Tencent's* social advertising platform for advertisements and online traffic monetization.

### **Pursue strategic alliances and investment opportunities**

We believe our strong game publishing and operation capabilities will continue to attract top-tier global content providers, and will form strategic alliances for future business opportunities. We have also committed significant resources to seek investment opportunities in upstream or game-related industries, which will intensify our collaboration with key market players and enhance our game-related sourcing, development and operation capabilities.

We believe strategic acquisition of upstream businesses may provide us with more control and certainty over our games pipeline and potentially increase our profit margin. Strategic acquisition of game-related industries from businesses along the value chain that may prove to be fast growing in the evolving PRC gaming markets will potentially provide additional revenue stream to the Company. Both strategies are expected to strengthen our collaboration with key market players and enhance our game-related sourcing, development and operation capabilities, and potentially diversify our service offerings of digital entertainment into areas such as e-sports, comics and video etc.



### **Continue to invest in technology and strengthen research and development capabilities**

We believe continuous efforts in our technology development will empower our operation capabilities. We will further develop our multi-dimensional user data analysis engine to better analyze user behavior and needs, and hence achieve higher efficiency in operation and better precise user targeting in cross promotion, as well as strengthen our technical knowhow in enhancing in-house game development capabilities. Furthermore, we will continue to improve the capacity and efficiency of our SDK network, as well as adopting new technologies, such as artificial intelligence, augmented reality and virtual reality.

### **Enhance our global presence**

We expect to enhance our presence in global markets through leveraging our leading position in game publishing in China and solid relationships with global game developers and other partners.

We plan to expand into overseas game markets, including both developed markets and emerging markets. To achieve this goal, we strategically plan to collaborate with renowned mobile phone producers and mobile carriers who have popular stores worldwide, which will allow quicker and easier penetration into global markets. Furthermore, we also plan to offer games in multiple languages, create localized game content for new markets and partnerships with international social networks and local mobile carriers. By attracting more overseas users, we believe we will have a better opportunity to monetize our games in international markets.

### **Embrace the cloud games waves**

We believe that the arrival of the cloud game wave, along with the advancement in 5G technology, will create disruptive changes to the gaming industry. This should create new development opportunities within the industry. According to the 2020 Cloud Game Industry Survey Report released by the research firm CNG, China's cloud gaming market is expected to exceed RMB1 billion in 2020, and the annual growth rate is expected to exceed 100% in the next two years. Recently, based on the cloud game solutions of Tencent Cloud, we have begun the cloud testing of our games, laying a foundation for the subsequent comprehensive cloud operation. In addition, the two sides will jointly explore and develop new entertainment scenarios, such as live broadcast interaction, further expanding cross-terminal and cross-scene game content services, and broaden the boundary of the cloud gaming industry.

## OUR GAMES AND SERVICES

### Our Games

We primarily publish and operate third-party licensed games and self-developed games, which span a number of gaming genres and attract a demographically diverse player community. Our game portfolio includes, among others, RPGs, matching puzzle games, casual competition games and endless running games. As at December 31, 2019, we had 60 games, including 23 RPGs, five matching puzzle games, 10 casual competition games, six endless running games and 16 other games.

We enter into license agreements with third-party global game developers who grant us the right to distribute and operate their games. Our global game developer partners typically grant us access to the source codes of the games that we license from them, allowing us greater control and efficiency in redesigning and optimizing those games for the China market. We also provide ongoing maintenance and optimization services for games which we operate, including regular refinements and upgrades. We decide the lifecycle and monetization strategy of each game based on its commercial performance. We then strategically prolong the lifecycle of games with high gross billings. In addition, we have published and operated self-developed games.

Most of our games are free to play, and we generate revenue from the sales of in-game virtual items including consumables, avatars, skills, privileges or other in-game features or functions. We believe that the free-to-play model we adopt in our games is effective in user acquisition.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our game revenue accounted for 87%, 88.3%, 87.6% and 87.2% of our total revenues, respectively.

### *RPGs*

RPGs refers to games in which users play various roles in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by actions of the players through their characters, and the storyline continuously evolves even while the players are offline and away from the games. Our RPGs typically draw upon themes such as fantasy, martial arts, science fiction and fairy tales. Our RPGs include massively multi-player online role-playing games, or MMORPGs, and action role-playing games (“ARPGs”). MMORPGs are games in which a large number of players, typically ranging from hundreds to thousands, assume the roles of characters in a fictional setting, usually featured in a huge, persistent open world. Players take responsibility for acting out these roles within a narrative, either through literal acting or through a process of structured decision-making or character development. ARPGs are a subgenre of RPGs, which emphasize real-time combat over

turn-based or menu-based combat. Users typically enjoy an immersive experience in these games and tend to play the games for longer periods of time on a daily basis, return more frequently and spend more money on in-game purchases.

### ***Matching Puzzle Games***

Matching puzzle games are casual puzzle games, where the major task consists of forming lines, chains or groups of three or more identical elements in a row or column in order to make them disappear according to a matching criteria.

### ***Casual Competition Games***

Casual competition games are games in which two or more entities play against each other in relatively casual or leisurely game settings.

### ***Endless Running Games***

Endless running games are casual games, where the user character continuously moves forward through different hurdles and barriers in an endless generated world.

### ***Other Games***

Our type of games include simulation, sports, card, sandbox and other types of games.

In addition, we have H5 games categorized under other games. H5 games are browser-based games developed with HTML5, a markup scripting language. HTML5 makes it possible to create more powerful games that can run in any standards-compliant web browsers with one code base.

Leveraging our ability to access source code of many licensed games and our distinctive advantage in redesigning and optimizing our games, as well as our strong game operation capabilities, we are able to continuously prolong the lifecycle of many of our existing games by creating new game editions, series and follow-up titles or through other forms of refurbishment.

Our games typically have three stages in their lifecycles, including: (a) the growth stage, during which the number of users and revenue generally keep growing; (b) the maturity stage, during which the number of users and revenue generally remain stable; and (c) the recession stage, during which the number of users and revenue decrease. Any temporary decrease in the number of users or revenue, even a significant one, does not necessarily mean that a game has started its recession stage. Our game lifecycle stages are generally in line with the industry norm, taking into account our managements' view and outlook on fluctuation of game operating metrics, such as temporary increase or decrease of users.

We are committed to continuing to prolong the lifecycle of our existing games with our strong ability in game operation, whilst maintaining certain games at the maturity stage to generate steady revenue from our paying users. However, there is no guarantee that we can successfully prolong or sustain the lifecycle of our existing games.

### ***Our Digital Entertainment Services***

#### ***Great Moments Voyage***

Great Moments Voyage is a brand of offline experience store, in cooperation with Tencent to build an online and offline destination for entertainment around the clock, integrating movies, games, e-sports and game related merchandise. *Great Moments Voyage* is equipped with various facilities, including open areas for game and e-sports competitions, private rooms decorated with different themes where customers can choose to play games, watch movies or have other activities. In addition, customers can purchase game-related merchandise at *Great Moments Voyage*.

In connection with the operation of our *Great Moments Voyage*, Tencent has granted us an exclusive license to use a number of *Tencent Video*'s trademarks in this brand, also allowing us to use video content provided by *Tencent Video*, *Tencent's* online video platform. In particular, customers may organize group viewing activities for a variety of video contents, including art or independent films which are not typically shown in traditional movie theaters.

In addition, we have special areas designed for customers to play games and e-sports with enhanced experience. We also host e-sports competition events by ourselves or through cooperation with third party sponsors. The Company and SONY PlayStation jointly designed and explored the offline console game experience scene, in order to meet the needs of different groups for console game experience from two dimensions: console device sales and multi-specification console game experience areas. *Great Moments Voyage* is also an offline experience store authorized by Tencent Nintendo Switch.

### ***Our Information Services***

We provide information services, including advertising services and other information related services. Advertisers are attracted by the user traffic potential offered by our large and growing user base. Our diverse game portfolio forms an effective medium for advertisers to conduct marketing campaigns directed at our massive number of users. Types of online advertising we offer include splashes, interstitials, videos and gameplay reward-based ads placed directly in our games and in-game user communities.

We primarily enter into framework agreements with advertising agents, in some cases with advertisers directly, typically with an initial term of one year subject to further renewal. The pricing model is typically based on a cost-per-mile, or CPM, which is based on the number of times the advertisements are viewed, and a cost-per-click, or CPC, which is based on the number

of times that the advertisements are clicked. We determine CPM and CPC rates primarily based on prevailing market prices and the supply and demand for similar types of advertising services that we offer. In some cases, we also adopt a real-time bidding model for popular advertisement slots which accepts the highest price based on real-time quotes from advertisers or advertising agents.

In 2017, we started cooperation with *Tencent's* social advertising platform on advertisement and online traffic monetization. Leveraging *Tencent's* strong big data analytical capacity, we have significantly improved our advertising efficiency and better achieved our online traffic monetization. We plan to further scale up our advertising services and explore monetization opportunities through collaboration with *Tencent*, whilst capturing the growth opportunities in the online advertising market.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we derived 12.5%, 11.4%, 11.9% and 12.6% of our revenue from information services business, respectively.

**GAME PUBLISHING SOLUTION**

We offer a one-stop game publishing solution to game developers, including redesign and porting, distribution, ongoing optimization, marketing, monetization and payment support of games. We also publish and operate self-developed games. Leveraging our large user base and powerful data analytical capabilities, our publishing solution is focused on user acquisition, retention and monetization. This has brought compelling value to our game developer partners.

Our position as a leading mobile game publisher provides us with operational flexibility and business sustainability under different regulatory environments. Leveraging the compelling value we can provide to game developers, we have become their top choice for game publishing. We have been able to continuously secure and publish popular games, as well as licensing games with optimization potential which already obtained pre-approvals from SAPPRFT. Our operational flexibility, together with our overall capability of publishing games overseas and extending the lifecycle of our existing games, enable us to continue to grow, despite the changing regulatory environment.

**Game Publishing Cycle**

In order to timely identify, secure and publish popular games which may be attractive to users and maximize their lifecycles, we have established the following project review procedures:



### *Game Strategy*

We will first prepare an industry analysis report that sets forth proposed strategy and plans for new products. Based on the industry analysis report and our operational needs, we will determine on the game strategy and plan, such as genres of games we will focus on during a specific period.

### *Game Sourcing, Licensing and Development*

If we plan to source a game from a game developer, including through custom developing, we will negotiate and sign a game license agreement with the game developer. For a game sourced from overseas game developers, we typically also need to complete redesigning and optimization for the China market before the game launches.

If our game strategy is to develop a game in house, we will go through internal procedures, including internal assessment, game review and error correction and beta testing before the game launch.

### *Game Launch*

Before a game can be launched, we will start another round of review of the game and analyze testing data. The game will be launched only if it passes the technology review and its testing data meets our standards, such as graphics rating, sound rating and expected paying user rate.

### *Version Update*

We monitor the operations of our games in real time and analyze the operational data and user feedbacks periodically to identify potential issues with the games. We devise update proposals accordingly. The person in-charge for the project will review the update suggestions and sign-off the proposal.

### *Termination*

Based on the performance of our games, we may decide to terminate or suspend the operation or development of certain games. The person in charge of the operation of the relevant games will initiate a request to terminate, after which we will decide on the termination.

## **Publishing Solution for Licensed Games**

### ***Game Sourcing***

We actively source games of different genres from various global game developers to enhance our existing game portfolio. We review hundreds of mobile games every year to assess their commercial viability, brand value and other potential benefits.

We have a dedicated team that tracks popular mobile games globally, and monitors digital entertainment phenomena and pop culture trends, based on industry data, such as mobile game rankings and top keywords on major search engines. This team prepares an industry analysis report for our management's review and consideration on a periodic basis, according to our operational needs. We will also involve multiple departments to assess the benefits and risks relating to games that we target before the final decision on game sourcing and execution plan being made by our management.

### ***Game Licensing***

We enter into license agreements with global game developers to redesign, optimize and distribute their games in Greater China, and, in some cases, other regions such as Southeast Asia.

The majority of our license agreements with global game developers are on an exclusive basis for specific markets and operating systems. The license agreements typically have an initial term ranging from one to five years, renewable with both parties' consent. Under the license agreements, we typically pay game developers a recoupable advance revenue upfront, which is paid in installments on multiple key dates such as the license agreement effective date, game testing date and final version submission date. The recoupable advance revenue is decided based on multiple factors, including the estimated revenue of the games and our historical relationship with the game developers. Such recoupable advance revenue will be deducted from revenue shares which game developers are entitled to pursuant to the license agreement. Sometimes, we also pay game developers a non-refundable license fee. In addition, we typically have revenue sharing arrangements with game developers, pursuant to which they receive on a monthly basis a prescribed percentage of the gross billings of the licensed games before or after deduction of certain expenses, typically including distribution channel expenses and payment channel expenses, and taxes.

Under a typical license agreement, we are responsible for the redesign, optimization, distribution of and payment processing for licensed games. Game developers generally have the right to review and approve our plans to redesign, optimize, update or market the games, including the pricing of in-game virtual items. We are typically granted access to source codes of the licensed games, enabling us to have better control and efficiency in the redesign and optimization of those games. Game developers generally own the game-related intellectual property rights for games that have been redesigned for and published in China, while we typically own the game



data, user data and other related information generated or gathered from our platform. Game developers also provide technical assistance to us with respect to their games, including installation issues, testing game functionalities and any fixes, bugs and updates in connection with game performance. We are generally responsible for providing customer care and user services, while the game developers provide any additional technical support required for resolving issues that cannot be handled by us. Typically, either the game developer or we can terminate a license agreement in the event of a material breach by either party if the breach is not timely remedied.

We negotiate revenue sharing arrangements and other terms of our licensing agreements with our game developer partners on the basis of various factors, such as our market position and track record, the track record of the game developer, the nature and revenue generation history of the game, our evaluation of the game's potential, and our prior relationships.

### *Game Redesign and Optimization*

After we acquire a license for a new game, we conduct an in-depth feasibility study assisted by our game analysis engine and form a project team to formulate a detailed redesign plan for the game. We provide the following redesign and porting services for our game developer partners:

- localize game content and design, including language translation and incorporating Chinese culture elements;
- optimize the creation, deployment and pricing of virtual items and special functions in accordance with the preferences and behaviour of China's mobile users;
- optimize the file size of the games and reconfigure them to be more accessible through China's mobile carrier network and compatible with mobile devices under various local brands in China;
- beta test the games on various mobile devices and distribution platforms; and
- ongoing user data monitoring and analyzing, to gain user insights and enhance strategies on content updates, new edition releases, user engagement, retention and monetization.

As our overseas game developer partners formulate and execute their expansion strategies for the China market, they turn to our services for a better understanding of and an avenue into the market's complex mobile user demographics, dynamic user preferences and spending habits and the fragmented telecommunication, content distribution and payment processing infrastructure. For domestic game developers, we review their games, assess commercial potential and recommend solutions to modify and improve their games. As such, market entry and ongoing consulting is an integral part of the value proposition we bring to our game developer partners.

As a result of our status as a reliable and trusted publishing partner in China, many overseas game developers entrust us with the source code of their games, giving us more flexibility in game redesign, optimization, distribution and operation. This allows us to better control the operation of our games and to better understand, engage and monetize our users. We believe this in-depth collaboration with our game development partners is one of the keys to our successful game operation and monetization.

Furthermore, leveraging our expanded knowledge of the global games market, we have been strategically publishing games overseas. We selectively source suitable games and conduct redesign and optimization work based on specific demands and trends in overseas markets.

### **Publishing Solution for Self-Developed Games**

We also publish self-developed games through our proprietary channels and third-party distribution channels, including games developed in-house, games developed with source codes or IPs acquired from third parties and custom developed games. See “— Game Development” for more details.

#### ***Our Distribution Channels***

##### *Proprietary distribution*

###### **In-game cross-promotion**

As our user base grows and reaches critical mass, we are able to generate a significant percentage of our game downloads and activations through in-game cross-promotion. We cross-promote by mainly presenting targeted game recommendations to users based on each user’s interests, which we learn from the user’s historical account data. Based on our massive user data and strong data analytical skills, we can perform precise user targeting more effectively and achieve more game downloads and activations.

We believe our proprietary distribution channels, built upon high-quality games, our large user base and sophisticated in-game cross-promotion strategies will help us effectively acquire users at low costs, as no direct marketing expenses occur associated with user acquisition through our proprietary distribution channels.

###### **Self-operated channels**

As our brand awareness increases in the mobile user community, we are able to acquire new users through our self-operated game publishing channels.

Our self-operated channels are connected with other social network platforms. The sharing function in our games also allows our users to share our games in social networks, attracting other people to play our games, and therefore enhance our self-operated channels.

#### *Third-party distribution channels*

To complement our proprietary distribution channels, we also distribute our mobile games through third-party distribution channel partners, including a diversified range of application stores and social network platforms. As of June 30, 2020, we had established cooperation relationships with over 200 third-party distribution channels across China.

#### Application stores

We distribute our games through a variety of application stores, including:

- app stores on mobile devices of reputable brands;
- major international and domestic web and mobile app stores; and
- mobile app stores operated by China's major mobile carriers.

#### Social network platforms

We also obtain new users for our games through leading PRC social network platforms, such as *Weixin* and *QQ*. The sharing and invitation functions of those social network platforms allow our existing users to invite their friends and families to play our games and share their high scores and achievements with their social connections, further increasing our brand awareness and potentially expanding our user base.

#### Other channels

We also engage professional mobile advertising agents to place advertisements of our games to an appropriate mobile audience through various mobile apps covering a wide range of functions and content. These mobile advertising agents help us reach mobile users who may not be mobile game players, complementing existing distribution channels targeting existing players of our mobile games.

Our agreements with third-party distribution channels typically have an initial term of two years. We have revenue sharing arrangements with third-party distribution channels, pursuant to which those channels receive, on a monthly basis, a prescribed percentage of the gross billings after deduction of certain expenses, generally including payment channel expenses.

### ***Our Payment Channel Partners***

We offer users a variety of mobile payment solutions available in China, including direct billing by mobile carriers and payment through third-party payment partners. We believe our comprehensive payment network greatly facilitates user monetization.

#### *Third-party payment partners*

Our users can pay for virtual items within games through third-party payment platforms, including both mobile payment platforms (mobile banking, wechat pay, Alipay and other mobile payment apps) and web-based payment platforms (web banking), operated by our payment partners. We grant a short credit term to our payment partners, which is normally less than 10 days.

#### *Mobile carriers*

We collect payments through SMS billing services provided by China's three mobile carriers. SMS billing is effective in converting registered users to paying users. This method eliminates third-party processing procedures and the need for mobile data coverage, also allowing users to pay instantly without leaving the game.

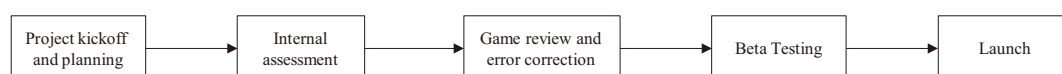
Our agreements with third-party payment channels typically have an initial term of two years. We have revenue sharing arrangements with third-party payment channels, pursuant to which those channels receive, on a monthly basis, a prescribed percentage of the gross billings, before or after deduction of certain expenses.

## **GAME DEVELOPMENT**

Leveraging our in-depth understanding of the gaming market, player preferences and market trends, we have established strong game development expertise.

### **In-house Development**

In addition to our extensive experience in redesigning and localizing licensed games based on source codes granted by our game developer partners, we have also built up our in-house game development capabilities. Depending on the type and complexity of the game being developed, the time required for game development varies, and our self-developed games are typically launched from three to 18 months from project initiation. Our game development process typically consists of the following stages:



### ***Project kickoff and planning***

After the kickoff of a new game development project, our game development team will formulate a detailed game development plan, including game themes and storylines, functionalities, virtual merchandising designs, existing comparable games, expected market reactions and development timeline, which will be submitted to our senior management team for internal assessment.

### ***Internal assessment***

All new game development plans need to go through internal assessment, which take into account various factors, including an analysis of the target markets and potential player base and the competitive environment, as well as the latest trends relating to digital entertainment and popular culture, in order to develop games with themes and storylines that will attract a wide base of players. All of the elements in our games, such as the storyline, progression of player characters' attributes, artwork and pricing of virtual items and premium features, are carefully analyzed by our senior management and game design teams. We also have a market research team, which assists the management team by conducting detailed market research covering areas including user preference on gameplay and game style. Once the assessment is completed and the decision is made to progress with development, the project enters the development stage.

### ***Game review and error correction***

We conduct periodic reviews, usually weekly, to troubleshoot and adjust aspects of the game such as design, coding and graphics. We are responsible for fixing game errors detected during internal reviews. A new version of the game will then undergo a further internal review.

### ***Beta Testing***

Once our game development team has developed a test version of the game, the game is put through several rounds of internal tests to resolve all major technological issues and software bugs that may exist. We subsequently put the new game into beta trial operations through proprietary distribution channels or directly onto application stores. Just prior to entering beta-testing, we typically invite specific players to play the game or publish advertisements to attract players. During beta testing, we capture, monitor and analyze player activity on a daily basis through our servers and through third-party distribution platforms in order to assess player engagement levels and monetization potential. We typically allow players to purchase virtual items and premium features during beta testing.

At this point the new game is not considered “launched” even though it may have commenced generating revenues. If there are major issues that cannot be resolved or if certain operating metrics are significantly below expectation, the game project may return to its development phase for further development.

## ***Launch***

We consider a game to be launched when we have concluded beta-testing and the game becomes available for players to access through our proprietary or third-party distribution platforms. If we experience no significant technical issues, the game will be considered officially launched and we will typically, often in cooperation with distribution platforms featuring the game, launch a marketing campaign.

## **Acquisition of Source Codes**

To increase the efficiency of our game development and take advantage of the expertise of third-party game developers, we also purchase source codes of selected games from third-party game developers, based on which we redevelop and redesign self-developed games that we consider fit to the taste of our users. Our selection criteria of source codes include track record of those games and third-party game developers, similarity with existing games in China and their target users. We negotiate the purchase price with third-party developers on a case-by-case basis. This is based on the monetization of comparable games in the market. Under our agreements with source code providers, they typically transfer all source codes to us, including any following updates and related documentation. We normally own all IP rights associated with the source codes after the transfer, and we are also in charge of game publishing and operation while source code providers are obligated to provide us certain technical support. We pay source code providers the full amount of transfer fee before game launch. The transfer fee is generally paid in installments on certain key dates, such as agreement effective date, game examination date and transfer completion date.

After we acquire and obtain source codes, we adopt the same game development process prior to the launch of games.

## **Custom Game Development**

We also engage first-tier global game studios with different areas of expertise to perform custom game development for us. We either provide specific IPs that we already have rights for to these game studios or instruct them to help us identify IPs for game development. Those IPs embedded in game development typically originate from PC games, animation, television shows, literature or videos.

We typically enter into a custom development agreement with the game studio, which designs and develops the target game according to our instructions and is entitled to a development fee, which generally consists of a portion of the revenues generated from the target game during the period of operation. We may also pay an upfront development fee in addition to revenue sharing arrangements with some of our game studio partners.

Following the signing of a custom development agreement, the game studio will submit to us a development proposal, which typically undergoes several rounds of review and revision. Into the development process, we conduct periodic review on the work-in-progress and may request adjustments to be made. Development time ranges from six to 18 months. We review completed games submitted to us, and game studios are responsible for revisions and redevelopment within a specified period of time if we decide any of those actions are needed. Game studios are typically obligated to give us all the technical files in relation to the development of the game, including the source codes. We typically hold the IP rights associated with custom games developed through our customer development arrangements with third-party game studios.

We may publish, promote and operate the target game under our name in any of the regions as agreed between us and the game studios, which will provide necessary assistance, including providing the materials in relation to the relevant logos, characters and virtual items of the target game. Game studios are also responsible for providing ongoing technical support and updates during the operation period.

In order to cooperate with and incentivize first-tier game studios, we have also directly invested in selected game studios, including the game studio which developed one of our popular games, *Five Elements of Heaven* (五行天). *Five Elements of Heaven* (五行天) was developed through licensing third-party IP right.

We believe custom game development enables us to take advantage of the expertise of some of the best game studios in the world, whilst enhancing our ability to seize market opportunities.

## **COOPERATION WITH KEY MARKET PLAYERS**

We actively search for opportunities to invest in companies producing or sourcing potential IPs or content that originated from online literature, film and other derivative products with promising monetization opportunities. For example, leveraging our relationship with *Tencent*, we have established joint ventures with *China Literature*, a leading online literature and publishing platform in China and a subsidiary of *Tencent*, aiming to develop games and other digital entertainment content based on IP owned by them. In 2018, the Company has entered into a series of framework agreements with Tencent Computer in relation to advertising, game development and distribution, payment service, provision of cloud service and IP cooperation for comic work.

In addition, we have ongoing business cooperation with digital entertainment partners such as SONY and JD. Furthermore, we have made extensive investments in upstream digital entertainment industry, including: (i) Beijing Weiyang Times Technology Co., Ltd. (北京微影時代科技有限公司), a leading entertainment focused platform; (ii) Beijing Cape Stone Technology Co., Ltd. (北京拱頂石科技有限公司), a top soccer game developer in China; (iii) Beijing Blue Whale Times Technology Co., Ltd. (北京藍鯨時代科技有限公司), a top mobile card game developer in China, and (iv) Zhejiang Yiyao Internet Technology Co., Ltd (浙江依游網絡科技有限公司), a top game developer and publisher in China.

## OUR TECHNOLOGY

We have developed a proprietary technology platform with strong data analysis capabilities that integrates and tracks every aspect of our business operations, including game redesign, distribution and payment channel management, user research, virtual items merchandizing, marketing, cross-promotion and game services.

### **Cloud-based Infrastructure and Multi-dimensional Data Analysis Engine**

We have built up a network infrastructure, utilizing our private data centers linked with high-speed networking. We have developed our architecture to work effectively in a flexible cloud environment. Our automatic provisioning tools have enabled us to increase our storage and computing capacity in a short period of time in response to game traffic demand. We operate at a scale that routinely delivers massive amounts of content to millions of user across our platform. Our technology architecture has been designed to scale horizontally to accommodate the large amounts of data our network generates. This allows our distribution, operation and payment teams to cooperate with each other and the product and research and development teams to design, deliver and share innovations.

#### ***Cloud-based infrastructure***

We have entered into a strategic cooperation agreement with *Tencent Cloud* which allows us to benefit from services provided by *Tencent Cloud*, Tencent's cloud service provider. We also became one of the few game publishers in China that fully integrated cloud technology into game infrastructure. Under this arrangement, we are able to utilize diversified resources of *Tencent Cloud*, including cloud computing, data storage and bandwidth service, which offers unparalleled data storage reliability and stability in China. Leveraging *Tencent Cloud* services, the majority of our servers have become cloud based, allowing a high degree of flexibility in managing the number of our servers on a needed basis, which has largely saved our game infrastructure costs. In addition, we have substantial flexibility game operating capacities by scaling up or down the number of our servers effortlessly through cloud, as well as reliable data storage through establishing three sets of data backups, and enhanced batch processing capabilities in computing large amounts of user data at one time.

#### ***Proprietary multi-dimensional data analysis engine***

We analyze multi-dimensional user data obtained through our online and offline channels. We process large volumes of data related to game play and related activities. Our proprietary data analysis engine collates and structures our data in a variety of ways so it can be used for ad-hoc analysis, real time analysis and standardized reports. Our data analysis generates visualized results, filterable based on numerous performance metrics, enabling us to locate key performance drivers and non-performing virtual items or cross-promotion advertisements. Our data mining also



generates invaluable insights on user needs, preferences and behaviors, through which we improve our games and user experience, enhance cross-promotion effectiveness and discover hidden opportunities for improving user retention and increasing user lifecycle.

We also use sophisticated algorithms to determine the likelihood of user engagement with specific push recommendations, and we match the most relevant games or third-party apps to each of our users based on the user's profile and gameplay history.

### **WePlayKit**

*WePlayKit* is our proprietary SDK that we aim to offer to our global game developer partners for free use. *WePlayKit* supports various functions within our games, including analysis of user and game data, central management of user accounts, account security, payment gateway connectivity, user communication, social connectivity and cross-promotion functions. *WePlayKit* also facilitates the creation of our in-game community and encourages in-game social network for specific games, which increases user engagement in games and enables our game developer partners to analyze user feedbacks for games that they develop.

## **MONETIZATION AND PRICING**

### **Our Games**

To monetize our large and active user base and achieve better financial returns for both our business partners and ourselves, we seek to convert active users into paying users and increase each paying user's in-game spending.

We generate our game revenues from the sales of in-game virtual items. Virtual items include items, avatars, skills, privileges or other in-game consumables, features or functionality. Through virtual items, users are able to extend their play, enhance or personalize their game environments and accelerate their progress in our games. Most of our virtual items can be purchased directly, using actual currency through SMS billings by mobile carriers, as well as through virtually all major online payment channels. In some games, our users can also purchase game points which can be used to acquire in-game virtual items. Those game points typically cannot be exchanged between users, used as gifts or be converted to actual currency. By offering quick and convenient payment options for suitably-priced virtual items, we are able to cultivate within our users a habit of paying for virtual items. We also continually offer our users new payment options that become popular. We often adopt a "try-to-pay" model where the user can try the virtual items for free on a limited basis but has to pay for future use. The release of new editions with new functions and improved game design and graphics also stimulates user spending. We also offer offline rewards to users who achieve high leaderboard rankings in our games. This strategy typically encourages them to spend more on the games to purchase special skills or functions that facilitate and improve game play.

The creation, deployment and pricing of our virtual items also significantly impact our game monetization. We have accumulated a large amount of user data that allows us to understand what kind of virtual items, offered at what time, in which scene and at what price, are more likely to trigger purchasing.

We price each virtual item based primarily on an analysis of certain benchmarks, including the benefits or advantage associated with the virtual item, the level of demand for the virtual item, the consumables habit in the local markets and the price of similar virtual items offered in other games. In addition, although we are generally obligated under our content distribution agreements to consult with the game developers on virtual item pricing, we are usually able to decide on pricing since we typically have better understanding on local markets and user preference resulting from our strong user data analytic capabilities. The prices of our virtual items vary from game to game. We maintain a database that tracks the number and price of each virtual item sold as well as user behaviour in response to the launch of a virtual item. Therefore, we are able to adjust the pricing of certain virtual items based on consumption patterns and provide discounts under certain circumstances such as promotions. We will continue to optimize our virtual items merchandising strategy to maximize monetization.

As a result of our effective monetization strategies, our monthly ARPPU increased from RMB21.5 in 2017 to RMB24.5 in 2018, to RMB31.9 in 2019 and to RMB35.5 as of June 30, 2020.

## **Other Services**

We provide advertising services through engaging advertising agents and advertising platforms. Advertisers are charged primarily based on a CPM or CPC pricing model, the rate of which are determined largely based on prevailing market prices resulting from the supply and demand of the types of advertising services we offer.

We price the services and products that we offer at the experiential store, *Great Moments Voyage*, based on the cost associated with providing such services and products and prices of similar services and products in the market. For example, we provide different price packages to users for our private rooms based on the types of rooms they choose, taking reference of prices charged by providers of private theater and other services in the market. In order to satisfy the needs of different users and to further monetize on our popular games, we also sell game related merchandise at the experiential store, *Great Moments Voyage*. Such products are priced based on the purchase cost and the popularity of such products.

## **MARKETING AND PROMOTION**

We have formulated effective marketing and promotion strategies to sustain user interest, engage more users, enrich game content and services, extend game lifecycles and stimulate game downloads and activations and in-game spending.

## **In-game marketing and user communities**

We organize user tournaments, in-game battles, leaderboard rankings and other user activities. We reward users with top game play performance by inviting them to special events organized by us. We also cross-promote our games in our existing games. Through our in-game communities, game players can share skills and experience on various games.

## **Online advertising**

We place online advertisements on various media, including news media, video websites and games operated by other companies. We monitor and analyze the effectiveness of our online marketing efforts daily, in order to optimize the effectiveness of our marketing and promotion activities.

## **Offline advertising**

We organize marketing events for game players in association with our business partners, such as game developers, device manufacturers and mobile carriers. We promote our games through offline advertisements and at trade shows and industry events. We also develop offline promotional events that further build our brand awareness.

We organize regular face-to-face gathering events for our game players, which promote the popularity of the games and also increase the “stickiness” and participation of the players. For example, we organized offline race events for our Subway Surfers (地鐵跑酷) and Temple Run 2 (神廟逃亡2) players, and carnival for our Gardenscapes (夢幻花園) players.

## **OUR USERS AND CUSTOMER SERVICE**

We have established a centralized user account and data management system. Users can log into our games and services using their mobile phone numbers, email addresses or a special iDreamSky account. Through our cloud-based data storage, each account’s profile information and activities are synchronized.

Our customer services team provide ongoing customer support to our users in relation to our games. Users can reach our customer service staff anytime through multiple channels, including through our platforms, Weixin or Weibo. We have in-house procedures in place, which quickly responds to and resolves customer inquiries, most of which are related to payment processing, account log-in and management and bugs.

## **OUR CUSTOMERS**

For our game services concerning self-owned or licensed games where we act as a principal, our customers are our users, who purchase virtual items and other services we offer. For our game services concerning licensed games where we act as an agent, our customers are game developers. See “Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition — Principal Agent Consideration” for more details.

For our information services, our customers are parties that we provide information services to, primarily advertisers who place advertisements on our platform to our users.

## **OUR SUPPLIERS**

Our major suppliers include game developers, IP providers, distribution channels, payment channels and server and bandwidth service providers, with which we have maintained business relationships.

## **RESEARCH AND DEVELOPMENT**

We have invested and will continue to invest substantial resources in our research and development including game development and technology development. Our game development focuses on enhancing the functionality of existing games, introducing and redesigning new games, improving efficiency of product development and enhancing the social connectivity of our platform. Our technology development focuses on upgrading our multi-dimensional data analysis engine and *WePlayKit*, as well as refining tools for our cross-promotion and other in-application marketing functions.

## **INTELLECTUAL PROPERTY RIGHTS**

Protection of intellectual property rights is of significant importance to our business. Some of our intellectual property rights are in the form of software copyrights, patents, domain names and trademarks. We also create audio-visual elements, including graphics, music, story lines and interface design, as we redesign games.

We protect our intellectual property rights in China by relying on local laws and contractual restrictions. We enter into confidentiality, proprietary rights assignment, non-compete and non-assignment agreements with our employees, and have confidentiality arrangements with our business partners. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

## EMPLOYEES

Substantially all of our employees are based in the PRC. The following table sets forth the numbers of our employees categorized by functions as of June 30, 2020.

Function	Number of Employees	Percentage of Total Employees
		%
Research and development . . . . .	575	62.9%
Operations . . . . .	230	25.1%
General administration . . . . .	88	9.6%
Sales and marketing . . . . .	22	2.4%
Total . . . . .	915	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. We believe we offer our employees competitive compensation packages and a collegial and creative working environment, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We compensate our employees with basic salaries, performance-based bonuses and share-based incentives.

We recruit our employees based on a number of factors, including their work experience, educational background, personalities and the needs of our vacancies. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We design and implement in-house training programs tailored to each job function and a set of responsibilities to enhance performance. Specific training is provided during orientation for new employees to familiarize them with our working environment and operational procedures. We also provide to our existing employees with professional training, such as training on channel management, marketing and promotion strategies, product operations, operational support, etc., depending on which departments the employees are in. We believe our training offers employees sustainable, organized and target-oriented quality training, which we believe can enhance the productivity of our employees.

We have engaged employment agents to provide us with recruitment service. In addition, we also use dispatched labor agencies to obtain certain game testing services. The dispatched labor agency we engaged sends workers it employs to work at our company under our instructions. The dispatched workers are employees of the dispatched labor agency which is responsible for paying the salary, welfare and other benefits to the dispatched workers, including social insurance and housing funds and other similar employee benefits as required under the PRC law. Currently, our dispatched workers consist of only game testing engineers who conduct testing on mobile games before and after launch. As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance and unemployment insurance. We are required to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and

certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We also maintain commercial work safety and retirement insurance for some of our employees.

## **COMPETITION**

We compete primarily with other mobile game publishers in China. We compete with our competitors on the basis of a number of factors, including user base, game portfolio, quality of user experience, brand awareness and reputation, access to and relationships with distribution and payment channels.

We believe we compete favorably on these factors. However, China's mobile game industry is evolving rapidly, and is intensely competitive. Other mobile game operators could publish more popular games to compete with our offerings and which could adversely affect our ability to attract and retain users and their leisure time. These competitors, including companies of which we may not be currently aware, may take advantage of social networks, access to a large user base and network effects to grow rapidly and virally.

Our competitors include domestic companies with integrated mobile game operation capabilities, such as Netease Games, 37 Interactive Entertainment (Shanghai) Technology Co., Ltd., Perfect World Co., Ltd., Happy Elements Holdings Limited, Kingnet Network Co., Ltd. and Beijing Kunlun Tech Co., Ltd.

## **PROPERTIES**

As at December 31, 2019, we operated our businesses mainly through 5 leased properties and 1 wholly owned property in Shenzhen, Guangzhou, Shanghai, Changsha and Horgos. These properties are principally used as office premises for our business operations.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

We are dedicated to the establishment and maintenance of a robust internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, information risk management, legal compliance and intellectual property rights management and human resources management.

### **Financial Reporting Risk Management**

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented.

As of June 30, 2020, our finance team consisted of 26 employees, and is headed by our chief financial officer, who has extensive experience in public company financial reporting. Other senior members of our finance department are all experienced in finance and accounting.

### **Information Risk Management**

We have adopted measures to protect our user data and to prevent technical issues in our network infrastructure and information technology system. These measures include the establishment of a standard operation and maintenance process and a monitoring platform. Our standard operation and maintenance process is comprised of a number of modules, including incident management, problem management and update management. Our monitoring platform monitors the operating status of our network devices, servers, operating systems and database, and responds to and deals with any issues that may arise in a timely manner.

### **Legal Compliance and Intellectual Property Rights Risk Management**

Compliance with PRC laws and regulations, especially laws and regulations governing the online game industry, as well as the protection of our intellectual property rights and the prevention of liabilities resulting from potential intellectual properties infringement, are major focus areas of our operational risk management. We have a dedicated legal team that is responsible for monitoring any changes in PRC laws and regulations, also ensuring the ongoing compliance of our operations with PRC law. Our legal team also works with our outside legal counsel to ensure we have obtained and maintained the necessary permits and licenses required for our operations as we launch new products or enter into new business segments. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we will take the conservative approach to avoid any potential compliance issues.

### **Human Resource Risk Management**

We have established internal control policies covering various aspects of human resource management, such as recruiting, training, work ethics and legal compliance.

### **Corporate Governance Measures**

We established an audit committee, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee consists of Mr. Zhang Weining, Ms. Yu Bin and Ms. Li Xintian and Mr. Zhang Han, chaired by Mr. Zhang Weining. We have also established an internal audit department.

## Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our Audit Committee and senior management monitor the implementation of our risk management policies across the Company on an ongoing basis, to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

## INSURANCE

We maintain mandatory traffic liability insurance, insurance for key employees and social welfare insurance in accordance with the relevant laws and regulations in the PRC. We do not maintain any property insurance covering equipment, product liability insurance or business interruption insurance, which are not mandatory under PRC law.

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal Proceedings

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As at June 30, 2020, no member of our Group was engaged in any litigation, claim or administrative proceedings of material importance and as far as we are aware, no litigation, claim or administrative proceedings of material importance is pending or threatened against any member of the Group.

## AWARDS AND RECOGNITIONS

As at the date of this Offering Circular, we have received various awards and recognitions in the PRC. The table below sets out some of the awards we have received in respect of our group companies:

Award/Recognition	Year	Awarding Institution	Entity/Product
Best New Economy Company . . . . .	2020	Golden Hong Kong Stocks (4 <sup>th</sup> Annual Golden Hong Kong Stock Award Ceremony)	iDreamSky
China's Top 100 Internet Companies . . . . .	2018	MITT and The Internet Society of China	Shenzhen iDreamSky Technology Co., Ltd.
Golden Diamond Award — the Most Influential Enterprises. .	2016-2017	Guangdong Entertainment & Game Industry Association	Shenzhen iDreamSky Technology Co., Ltd.
Top 10 Outstanding Mobile Game Companies . . . . .	2017	Tencent Open Platform	iDreamSky Games



Award/Recognition	Year	Awarding Institution	Entity/Product
Blackstone Award — Popular Games of the Year . . . . .	2017	Mobile Hardcore Alliance	<i>Gardenscapes</i> (夢幻花園)
Blackstone Award — Most Popular Indie Games of the Year . . . . .	2017	Mobile Hardcore Alliance	Pursuit of Light 2
Jin Ling Award — Most Influential Mobile Game Publishers . . . . .	2017	ChinaJoy	iDreamSky Games
China Top 10 Game Award — Top 10 Most Popular Single Player Mobile Games . . . . .	2017	China Audio-video and Digital Publishing Association	Monument Valley
China Top 10 Game Award — Top 10 Most Popular Original Single Player Mobile Games . . . . .	2016	China Audio-video and Digital Publishing Association	<i>Subway Surfers</i> (地鐵跑酷)
China's Top 50 Most Innovative Companies . . . . .	2016	Fast Company	iDreamSky Games
China's Top 10 Mobile Game Publishers . . . . .	2016	China Audio- video and Digital Publishing Association	Shenzhen iDreamSky Technology Co., Ltd.

## DIRECTORS AND SENIOR MANAGEMENT OF THE GUARANTOR

Name	Age	Position
<b>Executive Directors</b>		
Chen Xiangyu (陳湘宇) . . . . .	38	Executive director (Chairman), Chief Executive Officer
Guan Song (關嵩) . . . . .	39	Executive director, Chief Technology Officer
Jeffrey Lyndon Ko (高煉惇) . . . . .	37	Executive director, President
<b>Non-executive Directors</b>		
Ma Xiaoyi (馬曉軼) . . . . .	46	Non-executive director
Zhang Han (張涵) . . . . .	40	Non-executive director
Yao Xiaoguang (姚曉光) . . . . .	40	Non-executive director
Chen Yu (陳宇) . . . . .	42	Non-executive director
<b>Independent Non-executive Directors</b>		
Yu Bin (余濱) . . . . .	50	Independent non-executive director
Li Xintian (李新天) . . . . .	55	Independent non-executive director
Zhang Weining (張維寧) . . . . .	42	Independent non-executive director
Mao Rui (毛睿) . . . . .	45	Independent non-executive director
<b>Senior Management</b>		
Lei, Junwen (雷俊文) . . . . .	37	Chief Financial Officer
Ho, Mario Yau Kwan (何猷君) . . . . .	25	Chief Marketing Officer

### Executive Directors

**Mr. Chen Xiangyu (陳湘宇)**, aged 38, is an executive Director, Chairman of the Board and Chief Executive Officer of our Company. He also serves as a director of Shenzhen iDreamSky Technology Co., Ltd.. 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 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.

**Mr. Guan Song (關嵩)**, aged 39, is an executive Director and Chief Technology Officer of our Company. Mr. Guan is also a co-founder and the chief technology officer. 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.

**Mr. Jeffrey Lyndon Ko (高煉惇)**, aged 37, is an executive Director and President of our Company. Mr. Ko is also a co-founder and the president. 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 on November 2018. He also served as the honorary advisor of Hong Kong Esports Club 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.

#### **Non-executive Directors**

**Mr. Ma Xiaoyi (馬曉軼)**, aged 46, 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.

**Mr. Zhang Han (張涵)**, aged 40, has been appointed as a non-executive director of the Company and a member of the audit committee of the Board since 24 April 2020. Further, he currently serves a partner of Redpoint China Ventures (紅點中國創業投資基金) since January 2017. Prior to that, Mr. Zhang served as a partner of Redpoint Ventures (紅點創業投資基金) from January 2010 to December 2016, a market engineer at Infineon Technologies (China) Co., Ltd. (英飛凌科技(中國)有限公司), a global leading semiconductor company, from July 2006 to December 2009. Mr. Zhang holds a bachelor's degree in automation and master's degree in vehicle engineering from Tsinghua University.

**Mr. Yao Xiaoguang (姚曉光)**, aged 40, currently serves as vice president of Tencent Holdings Limited (“**Tencent**”, a company incorporated in the Cayman Islands with limited liability with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), HKEx stock code: 0700) and president of TiMi Studios Group. Since Mr. Yao joined Tencent in 2006, he has continued to launch games successfully in various genres including role-playing games (RPG), shooting, battle arena, strategy and car-racing. Before joining Tencent, Mr. Yao served as deputy managing director of Shengjin Game Company (盛錦遊戲公司) of Shanda Network. Mr. Yao holds a bachelor's degree, and also completed management courses with China Europe International Business School in 2013.

**Mr. Chen Yu (陳宇)**, aged 41, currently serves as vice president of Tencent and president of Lightspeed & Quantum Studios Group. Since Mr. Chen joined Tencent in 2003, he has taken lead in R&D, operation and introduction of a number of games, focusing on development of hardware and software on virtual reality and next-generation computer platform and cloud service technology. Mr. Chen obtained a bachelor's degree in property planning and real estate from Sichuan Normal University in July 2001, and an EMBA degree from China Europe International Business School in July 2011.

### **Independent Non-executive Directors**

**Ms. Yu Bin (余濱)**, 50, was appointed as independent non-executive Director in May 2018. 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 director of Baozun Inc. since May 2015, an independent director of GDS Holdings Ltd. since November 2016 and the chief financial officer of Lingochamp 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, VP of finance of Tudou Holdings Limited from July 2010 to December 2011, 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, 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.

**Mr. Li Xintian (李新天)**, aged 55, was appointed as independent non-executive Director in May 2018. 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)) since May 2008, 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. (湖北盛天網路技術股份有限公司) 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.

**Mr. Zhang Weining (張維寧)**, aged 42, was appointed as independent non-executive Director in May 2018. In addition to his positions in our Group, Mr. Zhang has been serving as an associate professor of Cheung Kong Graduate School of Business (長江商學院) 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.

**Mr. Mao Rui (毛睿)**, aged 45, joined Shenzhen University as an associate professor of College of Computer Science and Software Engineering in 2010, and currently serves as a professor and associate dean of College of Computer Science and Software Engineering, primarily responsible for research and foreign affairs. His research primarily focuses on big data management and high-performance computing. Mr. Mao also serves as an executive director of Shenzhen Institute of Computing Sciences, associate director of National Engineering Laboratory for Big Data System Computing Technology, and the director of Guangdong Province Engineering

Center of China-made High Performance Data Computing System. He is also a distinguished member of China Computer Federation (CCF), and is on expert panel of Big Data, Database and Theoretical Computer Science and was Shenzhen President of CCF Young Computer Scientists & Engineers Forum for 2016-2017.

### **Senior Management**

**Mr. Lei Junwen (雷俊文)**, aged 37, is 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 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.

**Mr. Ho, Mario Yau Kwan (何猷君)**, aged 25, was appointed as Chief Marketing Officer of our Company since May 2018. Mr. Ho serves as the chief marketing officer of Shenzhen iDreamSky, where he is responsible for marketing and promotions, Esports related business and augmented reality games. Mr. Ho has been the first Chairperson of the Macau E-sports Federation since April 2018. He has been a member of the Guangdong Province Federation of Returned Overseas Chinese Youth Committee (廣東省僑聯青年委員會) and a member of the Youth Committee of the Associação Comercial de Macau (澳門中華總商會青年委員會) since 2018. Mr. Ho obtained his bachelor's degree in management science in June 2016 from the Massachusetts Institute of Technology.

For biographical details of Mr. Chen Xiangyu, Mr. Guan Song, Mr. Jeffrey Lyndon Ko, who form part of our senior management team, please refer to the section Executive Directors above.

## PRINCIPAL SHAREHOLDERS OF THE GUARANTOR

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2020, 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 Securities and Futures Ordinance (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 as set out in Appendix 10 to the Listing Rules were as follows:

#### (i) Interest in Shares and underlying Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares held <sup>(7)</sup>	Approximate percentage of interest in the Company <sup>(1)(6)</sup>
Mr. Chen Xiangyu (“Mr. Chen”) <sup>(2)</sup> . . . . .	Interest of controlled corporation	242,870,430(L)	19.13%
Mr. Guan Song (“Mr. Guan”) <sup>(3)</sup> . . . . .	Interest of controlled corporation	47,078,020(L)	3.71%
Mr. Jeffrey Lyndon Ko (“Mr. Ko”) <sup>(4)</sup> . . . . .	Interest of controlled corporation	13,979,400(L)	1.10%
Mr. Lei Junwen (“Mr. Lei”) <sup>(5)</sup> . . . . .	Interest of controlled corporation	27,423,760(L)	2.16%
	Beneficial owner	198,000(L)	0.02%

<sup>(1)</sup> The percentages are calculated on the basis of 1,269,718,990 shares of the Company (the “Shares”) in issue as at June 30, 2020.

<sup>(2)</sup> Brilliant Seed Limited is wholly owned by Mr. Chen, who is therefore deemed to be interested in the Shares held by Brilliant Seed Limited.

<sup>(3)</sup> Bubble Sky Limited is wholly owned by Mr. Guan, who is therefore deemed to be interested in the Shares held by Bubble Sky Limited.

<sup>(4)</sup> Shipshape Holdings Limited is wholly owned by Mr. Ko, who is therefore deemed to be interested in the Shares held by Shipshape Holdings Limited.

<sup>(5)</sup> Instant Sparkle Limited is wholly owned by Mr. Lei, who is therefore deemed to be interested in the Shares held by Instant Sparkle Limited. Mr. Lei resigned as an executive Director with effect from August 25, 2020.



<sup>(6)</sup> 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.

<sup>(7)</sup> The letter “L” denotes the person’s long position in such Shares.

**(ii) Interest in associated corporations**

<u>Name of Directors</u>	<u>Associated corporations</u>	<u>Capacity/Nature of Interest</u>	<u>Amount of registered capital</u>	<u>Percentage of shareholding in the associated corporation</u>
			(RMB)	
Mr. Chen Xiangyu . . . . .	Shenzhen Mengyu Technology Co., Ltd.	Beneficial owner	500,000(L)	5.00%

Save as disclosed above, as at June 30, 2020, 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.

**DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2020, 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 <sup>(7)</sup>	Approximate percentage of interest in the Company <sup>(1)(6)</sup>
Brilliant Seed Limited <sup>(2)</sup> . . . . .	Beneficial owner	242,870,430 (L)	19.13%
Mr. Chen <sup>(2)</sup> . . . . .	Interest of controlled corporation	242,870,430 (L)	19.13%
Tencent Mobility Limited <sup>(3)</sup> . . . . .	Beneficial owner	235,999,300 (L)	18.59%
Tencent Holdings Limited <sup>(3)</sup> . . . . .	Interest of controlled corporation	235,999,300 (L)	18.59%
iDreamSky Technology Limited <sup>(4)</sup> . . . . .	Beneficial owner	190,599,375 (L)	15.01%
Dream Investment Holdings Limited <sup>(4)</sup> . . . . .	Interest of controlled corporation	190,599,375 (L)	15.01%
Dream Technology Holdings Limited <sup>(4)</sup> . . . . .	Interest of controlled corporation	190,599,375 (L)	15.01%
Poly Platinum Enterprises Limited <sup>(5)</sup> . . . . .	Beneficial owner	89,050,352 (L)	7.01%
Greater Bay Area Homeland Development Fund (GP) Limited <sup>(5)</sup> . . . . .	Interest of controlled corporation	89,050,352 (L)	7.01%
Greater Bay Area Homeland Investments Limited <sup>(5)</sup> . . . . .	Interest of controlled corporation	89,050,352 (L)	7.01%

<sup>(1)</sup> The percentages are calculated on the basis of 1,269,718,990 shares of the Company (the “Shares”) in issue as at June 30, 2020.

<sup>(2)</sup> Brilliant Seed Limited is wholly owned by Mr. Chen Xianyu (“Mr. Chen”). Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed Limited.

<sup>(3)</sup> Tencent Mobility Limited is a wholly owned subsidiary of Tencent Holdings Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Mobility Limited.

<sup>(4)</sup> 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.

- (5) Poly Platinum Enterprise Limited is wholly owned by Greater Bay Area Homeland Development Fund LP, which is managed by Greater Bay Area Development Fund Management Limited. Greater Bay Area Homeland Development Fund (GP) Limited is the general partner of Greater Bay Area Homeland Development Fund LP. Greater Bay Area Homeland Development Fund (GP) Limited is in turn wholly owned by GBA Homeland Limited which is wholly owned by Greater Bay Area Homeland Investments Limited. Under the SFO, Greater Bay Area Homeland Development Fund (GP) Limited and Greater Bay Area Homeland Investments Limited are deemed to be interested in the Shares held by Poly Platinum Enterprise Limited.
- (6) 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.
- (7) The letter “L” denotes the person’s long position in such Shares.

Save as disclosed above, as at June 30, 2020, the directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## **SHARE OPTION SCHEME**

From the Listing Date to June 30, 2020, no share option scheme was made by the Company, and there is no specific provision under the Articles of Association or the Cayman Islands laws regarding share option scheme.

## **RSU PLAN**

The Board has approved the RSU Plan on 10 May 2018, and the RSU Plan shall be valid and effective for a period of ten years commencing from the adoption date of 10 May 2018. Certain principal terms and details of the RSU Plan are summarized as follows:

### **Purpose**

The purpose of the RSU Plan is to recognize and reward the Participants for their contribution to our Group, to attract best available personnel, and to provide additional incentives to them to remain with and further promote the success of our Group’s business.

### **Eligible Participants**

Those eligible to participate in the RSU Plan (the “**Participants**”) include (a) full-time employees (including directors, officers and members of senior management) of our Group; and (b) any person who, in the opinion of the Administrator, has contributed or will contribute to any member of our Group (including contractors, advisors or consultants of any member of our Group).

## Maximum Number of Shares

Unless otherwise duly approved by our Shareholders, the total number of Shares underlying the RSU Plan (the “**RSU Limit**”) shall not exceed the aggregate of 8,627,045 Shares, representing 7.55% of the issued Shares of our Company as of the adoption date of the RSU Scheme (on a fully diluted and as-converted basis assuming all our Shares underlying the RSU Scheme have been issued). For the avoidance of doubt, the RSU Limit excludes Shares underlying the RSUs that have lapsed or have been cancelled in accordance with the RSU Plan. Upon completion of the Global Offering and the Capitalization Issue (as defined in the Prospectus), the number of Shares held by the RSU Holding Entities shall be 86,270,450 Shares.

## Administration

The RSU Plan shall be subject to the administration of the administrator, being Ms. Chen Xiangjiao (or other members appointed by the Board) (the “**Administrator**”) to administer the RSU Plan. The Administrator may, from time to time, select the Participants to whom a grant of a restricted stock unit (the “**Awards**”) may be granted.

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of the RSU Plan, (b) determine the persons who will be granted Awards under the RSU Plan, the terms and conditions of the Awards are granted and when the RSUs granted pursuant to the RSU Plan may vest except in the case where the persons who will be granted Awards are the directors and senior management of our Company (the “**Directors and Senior Management**”), the Administrator shall determine the Awards (including the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the RSU Plan may vest) to be granted to the Directors and Senior Management only in accordance with the written resolutions by more than 50% of the members of the remuneration committee of the Board, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Plan as it deems necessary, and (d) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Plan.

## Award of RSUs

The Administrator may, from time to time, select the Participants to whom an Award may be granted. The consideration payable by a selected Participant for acceptance of the Award under the RSU Plan shall be determined at the sole and absolute discretion of the Administrator, and in any event shall be no less than the nominal value of our Shares. Subject to the terms of the RSU Plan, the Awards may be granted on such terms and conditions (such as linking the vesting of the RSUs to the attainment or performance of milestones by any member of our Group, the grantee or group of grantees).

No grant of Award shall be made to any selected Participant at a time when the selected Participant would or might be prohibited from dealing in our Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or laws. In addition, the Administrator may not grant any Award to any Participant if (i) the requisite approvals for the grant of Award from any applicable regulatory authorities have not been obtained; (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of such grant or in respect of the RSU Plan, unless the Administrator determines otherwise; (iii) where the grant of Award would result in a breach of any applicable securities laws, rules or regulations by any member of our Group or any of its directors; or (iv) the grant of Award would result in breach of the RSU Limit or other rules of the RSU Plan.

For so long as our Shares are listed on the Stock Exchange:

- (a) a grant of Award must not be made after inside information has come to the knowledge of the Administrator until such inside information has been announced in accordance with the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any such year, half-year, quarter or interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement;
- (b) a grant of Award to a Director shall not be made on any day on which the financial results of our Company are published and during the period of (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) 30 days immediately preceding the publication date of any quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results;
- (c) a grant of Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to prior approval of the independent non-executive Directors (except the independent non-executive Director who is the proposed grantee in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. However, if the Award forms part of the relevant Director's remuneration under his service contract, the grant of Award to such Director will be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules. Awards shall not be assignable or transferable, except for (i) assignment or transfer from a grantee to a company wholly owned by him or between two companies both of which are wholly owned by him; or (ii) following the grantee's death, transfer by will or by the laws of testacy and distribution.

## **Details of the RSUs granted under the RSU Plan**

As at June 30, 2020, the aggregate number of shares underlying RSUs granted under the RSU Plan was 74,490,862 shares and the aggregate number of shares underlying RSUs vested and forfeit under the RSU Plan was 38,036,828 and 2,654,337 shares. Any vested or unvested RSUs or any share underlying any RSUs shall not be transferred or sold before the Listing and during the period of six months following the Listing Date.

### ***RSUs granted to Participants other than our Directors, senior management and their associates***

As at December 31, 2019, RSUs in respect of 55,675,776 shares were granted to Participants (who are not our Directors, senior management and the associates). During the six months ended June 30, 2020, RSU Holding Entities granted an aggregate of 5,792,966 shares to Participants (who are not our Directors, senior management and their associates), 2,488,767 shares of which are attached with certain vesting conditions.

### ***RSUs granted to our Directors, senior management and their associates***

As at June 30, 2020, no RSUs were granted to our Directors under the RSU Plan. RSUs in respect of 1,594,650 shares were granted to an associate of our Directors on 1 July 2018, and all such RSUs were vested on the same date.

As at June 30, 2020, RSUs in respect of 11,427,470 shares were granted to our senior management member, Mr. Fang Hui, which have a vesting period of 48 months, 25% of which were vested on July 1, 2019, 25% will vest on July 1, 2020, 25% on July 1, 2021, and 25% on July 1, 2022.

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company, whose interests in the shares or underlying shares of the Company are set out under “*Directors and Senior Management*”) who had an interest or short position in the shares or underlying shares of the Company as at the date of this Offering Circular as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## EXCHANGE RATE INFORMATION

### HONG KONG

The H.K. dollar is freely convertible into other currencies, including the U.S. dollar. Since 1983, the H.K. dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to U.S.\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the “**Basic Law**”), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to U.S.\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK\$7.80 per U.S.\$1.00 to a rate range of HK\$7.75 to HK\$7.85 per U.S.\$1.00. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link within the rate range of HK\$7.75 to HK\$7.85 per U.S.\$1.00, or at all.

The following table sets forth the noon buying rates for U.S. dollars in New York City for cable transfers payable in Hong Kong dollars as certified by the Federal Reserve Bank of New York for customs purposes for and as at the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

### Exchange Rate

	Period End	Low	Average <sup>(1)</sup>	High
		(HK\$ per US\$)		
2015 .....	7.7507	7.7495	7.7520	7.7686
2016 .....	7.7534	7.7505	7.7618	7.8270
2017 .....	7.8128	7.7540	7.7950	7.8267
2018 .....	7.8305	7.8043	7.8376	7.8499
2019 .....	7.7894	7.7850	7.8335	7.8499
2020				
January .....	7.7665	7.7661	7.7725	7.7889
February .....	7.7927	7.7630	7.7757	7.7951
March .....	7.7513	7.7511	7.7651	7.7863
April .....	7.7514	7.7498	7.7512	7.7530
May .....	7.7513	7.7500	7.7519	7.7561
June .....	7.7501	7.7498	7.7501	7.7514
July .....	7.7500	7.7499	7.7509	7.7538
August .....	7.7501	7.7498	7.7502	7.7506
September .....	7.7500	7.7499	7.7500	7.7504

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2020, which is determined by averaging the daily rates during the period.

## CHINA

Since January 1, 1994, the PBOC has set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. On July 21, 2005, the PBOC announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 to US\$1.00. Under the reform, the Renminbi is no longer effectively linked to the dollar but instead is allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, according to market demand and supply conditions. The PBOC announces the Renminbi's closing price each day, and that rate serves as the midpoint of the next day's trading band. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. On June 19, 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. On April 12, 2012, the PBOC announced that effective on April 16, 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar is enlarged from 0.5 per cent. to 1.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC. On August 11, 2015, the PBOC adopted a more market-oriented approach and announced that the midpoint for the value of the Renminbi against the U.S. dollar would be quoted by the market makers with reference to the closing rate of the previous trading session. More adjustments may be made to the exchange rate system by the PRC government in the future. Currently, the PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day. The PRC government may in the future make further adjustments to the exchange rate system.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for each of the periods indicated.

### Exchange Rate

	<u>Period End</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>High</u>
		<i>(RMB per US\$)</i>		
2015 .....	6.4778	6.1870	6.2869	6.4896
2016 .....	6.9430	6.4480	6.6549	6.9580
2017 .....	6.5063	6.4773	6.7350	6.9575
2018 .....	6.8755	6.2649	6.6292	6.9737
2019 .....	6.9618	6.6822	6.9014	7.1786
2020				
January .....	6.9161	6.8589	6.9184	6.9749
February .....	6.9906	6.9650	6.9967	7.0286
March .....	7.0808	6.9244	7.0205	7.1099
April .....	7.0622	7.0341	7.0708	7.0989
May .....	7.1348	7.0622	7.1016	7.1681
June .....	7.8651	7.0575	7.0816	7.1263
July .....	6.9744	6.9744	7.0041	7.0703
August .....	6.8474	6.8474	6.9270	6.9799
September .....	6.7896	6.7529	6.8106	6.8474

Source: Federal Reserve H. 10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2020, which is determined by averaging the daily rates during the period.



## MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange (Stock Code: 1119) since the Company's initial public offering on December 6, 2018. Prior to that time, there was no public market for the Company's Shares.

The table below sets forth, for the periods indicated, the high and low closing prices per Share, as reported on the Hong Kong Stock Exchange:

### Closing Share Price

Period	Closing Share Price	
	High	Low
	(HK\$)	
<b>2019</b>		
First quarter ended March 29, 2019 . . . . .	6.33	5.61
Second quarter ended June 28, 2019 . . . . .	9.04	4.64
Third quarter ended September 30, 2019 . . . . .	5.41	4.20
Fourth quarter ended December 31, 2019 . . . . .	4.69	4.08
<b>2020</b>		
First quarter ended March 31, 2020 . . . . .	5.50	3.50
Second quarter ended June 30, 2020 . . . . .	5.01	4.03
Third quarter ended September 30, 2020 . . . . .	5.05	4.34

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.*

### **Cayman Islands**

Under existing laws of the Cayman Islands, payments of interest and principal on the Bonds and dividends and capital in respect of the Shares issuable upon the conversion of the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds or payment of a dividend or capital to any holder of Shares, as the case may be, nor will gains derived from the disposal of the Bonds or Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds. The Bonds themselves will be stampable if they are executed in or brought into the Cayman Islands. An instrument transferring title to a registered Bond, if brought into or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. Stamp duty may be payable if any original documents are brought to or executed in the Cayman Islands. No stamp duty is payable in respect of the issue of the Shares or on an instrument of transfer in respect of a Share.

### **Hong Kong**

#### ***Stamp Duty***

Hong Kong stamp duty is payable on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered

on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

## **The PRC**

*The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes (the “**non-PRC Holders**”). In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.*

## **Taxation of the Bonds**

The Enterprise Income Tax Law (“**EIT Law**”) and its implementing rules, applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises. The EIT Law and its implementing rules imposes a withholding tax of 10% on dividends distributed by a PRC foreign-invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered a “non-resident enterprise” without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Holding companies in Hong Kong, for example, are subject to a 5% withholding tax rate. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% withholding tax if we are considered a “non-resident enterprise” under the EIT Law.

Under the EIT Law and its implementation rules, any interest or premium with respect to the Bonds and any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprise may be subject to PRC enterprise income tax if such interest, premium or gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC but has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are therefore subject to PRC enterprise income tax at the rate of 25% with respect to their income sourced from both within and outside of China. The Implementing Rule of EIT Law defines the term “de facto management body” as a management body that exercises substantial and overall control and management over the production and operations, personnel, accounting and properties of an

enterprise. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. The Resident Enterprise Administrative Measures provide clarification for resident status determination and competent tax authorities. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC individuals, like our company. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “de facto management body” for the company of our type. It is still unclear if the PRC tax authorities would determine that we should be classified as a PRC “resident enterprise”.

Although we have not been notified that we are treated as a PRC resident enterprise, we cannot assure you that we will not be treated as a “resident enterprise” under the EIT Law and related PRC Laws, or any aforesaid circulars or any amended regulations in the future. If we are treated as a PRC resident enterprise for PRC enterprise income tax purposes, among other things, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income. Furthermore, if we are treated as a PRC resident enterprise, payments of dividend, interest and/or other expenses of similar nature by us may be regarded as derived from sources within the PRC and therefore we may be obligated to withhold PRC income tax at 10% on payments of dividend on the shares and/or interest or other expenses of similar nature on the Bonds to non-PRC resident enterprise investors. In the case of non-PRC resident individual investors, the tax may be withheld at a rate of 20%.

In addition, if we are treated as a PRC resident enterprise, any gain realised on the transfer of the shares and/or Bonds by non-PRC resident investors may be regarded as derived from sources within the PRC and accordingly may be subject to a 10% PRC income tax in the case of non-PRC resident enterprises or 20% in the case of non-PRC resident individuals. The PRC tax on interest or gains may be reduced or exempted under applicable tax treaties between the PRC and the Bond holder’s home country. For example, according to an arrangement between the PRC and Hong Kong, for the avoidance of double taxation, Bond holders who are Hong Kong residents, including both enterprise holders and individual holders, may be exempted from PRC income tax on capital gains derived from a sale or conversion of the Bonds. In addition, it is unclear whether the conversion of the Bonds will be subject to PRC tax.

According to the Notice of the Ministry of Finance and the State Administration of Taxation (“SAT”) on Overall Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (Cai Shui [2016] No. 36) ((財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號)) effected on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or real property within PRC must pay value-added tax (“VAT”) in accordance with these measures. The VAT rates for financial services, which refer to the business activities of financial and insurance operations, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, shall be 6% plus local levies. Income obtained from various kinds of possession or borrowing of funds, including interest income, will be subject to VAT. If, in accordance with the Terms and

Conditions, the Issuer is required to pay interest on the Bonds because payment of principal on the Bonds was improperly withheld or refused, the Issuer may be required to withhold VAT on such interest payment. In such case, subject to certain exceptions, the Issuer will pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by them had no such withholding been required.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC resident enterprise Holders under the EIT Law may be subject to PRC enterprise income tax if such gains are regarded as PRC-sourced income. Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC individual Holders under the EIT Law may be subject to PRC individual income tax in such gains are regarded in PRC-sourced income. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident enterprises or non-resident individuals on income derived by them from the sale or transfer of the Bonds and there is uncertainty as to whether gains realised on the transfer of the Bonds by non-PRC resident enterprise Holders or non-PRC individual Holders will be subject to PRC enterprise or individual income tax. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations in terms of collecting enterprise income tax or individual income tax on such income in the future.

Any PRC tax on redemption premium or transfers of Bonds will apply at a rate of 10 per cent. in the case of non-PRC enterprises and 20 per cent. in the case of non-PRC individuals unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

The conversion of the Bonds by non-PRC Holders is not subject to PRC income tax.

## **Taxation of the Shares**

### ***Taxation of Capital Gains related to transfer of Shares***

The EIT Law and its implementation rules impose a tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realised by a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation rules impose a tax at the rate of 20% on income derived from sources within the PRC realised by non-resident individuals. If the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realised by holders of the Bonds are treated as income derived from sources within China, such gains will be subject to PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds, if both the Issuer and the investors qualify for benefits under the applicable tax treaty.

### ***Tax Arrangements and Treaties***

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ((內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排)) signed on 21 August 2006, the PRC tax authorities may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident beneficially owns at least 25% equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Investors who do not reside in the PRC and reside in countries that have entered into avoidance of double taxation treaties with the PRC may be entitled to a reduction of the tax imposed on payments to investors in the Issuer who do not reside in the PRC. The PRC currently has double-taxation treaties with many nations in the world, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

### ***Stamp duty***

Except for the PRC stamp duty on booking capital account which must be paid by the Company as a result of the issuance of Shares on the conversion of the Bonds, no PRC stamp duty will be chargeable to non-PRC Holders of the Bonds and non-PRC shareholders of Shares upon the issue, conversion or transfer of the Bonds or Shares (if the register of the Holders is maintained outside the PRC).

## DESCRIPTION OF THE SHARES

*The following is a description of the Shares, including summaries of material relevant provisions of the Company's Memorandum and Articles of Association and the Companies Law (2020 Revision) of the Cayman Islands (the "**Companies Law**"). These summaries do not purport to be complete and are qualified in their entirety by reference to the full Memorandum and Articles of Association.*

### Meetings

An annual general meeting shall be called by at least twenty-one (21) clear days' notice in writing and an extraordinary general meeting shall be called by at least fourteen (14) clear days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and particulars of resolutions to be considered and, in the case of special resolution, the notice must specify the intention to propose such resolution as a special resolution. In addition, notice of every general meeting shall be given to all members other than such member as, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the Company's auditors.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

### Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting on a poll, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote for every fully paid share for each share registered in his name in the register of members of the Company. No person other than a member duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member), or to be reckoned in a quorum, either personally or by proxy at any general meeting. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. A resolution put to the vote of a meeting shall be decided by

way of a poll save that the chairman of the general meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rule (as defined in the Articles of Association) to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting or at any general meeting of any class of members **provided that**, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that recognised clearing house (or its nominee(s)).

Where the Company has knowledge that any shareholder is, under the rules of the Listing Rule (as defined in the Articles of Association), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

#### **Variation of Rights of Existing Shares or Classes of Shares**

If at any time the share capital of the Company is divided into different classes of shares, subject to the Companies Law, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) from time to time be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.



## Transfer of Shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form approved by the board and consistent with the standard form of transfer as prescribed by the Exchange (as defined in the Articles of Association). The instrument of transfer shall be executed by or on behalf of the transferor and the transferee **provided that** the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit in its discretion to do so. The instrument of transfer shall be executed with a manual signature or facsimile signature (which may be machine imprinted or otherwise) by or on behalf of the transferor and transferee provided that in the case of execution by facsimile signature by or on behalf of a transferor or transferee, the Board shall have previously been provided with a list of specimen signatures of the authorised signatories of such transferor or transferee and the Board shall be reasonably satisfied that such facsimile signature corresponds to one of those specimen signatures. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless: (i) a fee of such maximum sum as the Exchange (as defined in the Articles of Association) may determine to be payable or such lesser sum as the board may from time to time require is paid to the Company in respect thereof, (ii) the instrument of transfer is in respect of only one class of share and (if applicable); (iii) the instrument of transfer is duly and properly stamped (in circumstances where stamping is required); (iv) the instrument of transfer is lodged with the Company accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (v) in the case of a transfer to joint holders, the number of joint holders to which the share is to be transferred does not exceed four; (vi) the shares concerned are free of any lien in favour of the Company.

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles of Association) to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the board may determine. The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the website of the Exchange (as defined in the Articles of Association), or, subject to the Listing Rules (as defined in the Articles of Association), by electronic communication in the manner in which notices may be served by the Company by electronic means or by advertisement

published in the newspapers, be suspended and the register of members closed at such times for such periods as the Board may from time to time determine, provided always that such registration shall not be suspended or the register of members closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

### **Share Repurchase**

Subject to the Companies Law, the Articles of Association and, where applicable, the Listing Rules (as defined in the Articles of Association) and subject to any rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire its own shares provided that the manner of purchase has first been authorised by a resolution of the members.

### **Dividends and Other Methods of Distribution**

Subject to the Companies Law, in general meeting the Company may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles of Association provide dividends may be declared and paid out of the Company's profits, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed, or from the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. In any event, no distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the Company will be able to pay its debts as they fall due in the ordinary course of business.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid *pro rata* according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the members in general meeting has resolved that a dividend be paid or declared on the Company's share capital, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, **provided that** the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu

of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend that the Company may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the Company's register in respect of the shares at his address as appearing in the register of members or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the members in general meeting has resolved that a dividend be paid or declared the board may, with the sanction of the members in general meeting, further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

### **Inspection of Corporate Records**

The Company's members will have no general right under the Companies Law to inspect or obtain copies of the register of members or the Company's corporate records. They will, however, have such rights as may be set out in the Articles of Association. An exempted company may subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the Directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **Protection of Minorities**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **Procedures on Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Company's members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be

insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members *in specie* or kind the whole or any part of the Company's assets whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority and subject to the Companies Law, shall think fit, but so that no member shall be compelled to accept any shares or other property in respect of which there is a liability.

## **DIVIDENDS**

Subject to the Cayman Islands Companies Law and the Articles of Association, the Company in general meeting may from time to time declare dividends to be paid to shareholders, but no dividend shall be declared in excess of the amount recommended by the Company's board.

The Company's board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, the amount. The determination to pay dividends will be made at the discretion of the Company's board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Company's Directors deem relevant. The Company did not declare payment of dividend for the years ended December 31, 2018 and 2019, and for six months ended June 30, 2020.

The dividends, interests and bonuses and any other benefits and advantages in the nature of income receivable in respect of the Company's investments, and any commissions, trusteeship, agency, transfer and other fees and current receipts of the Company shall, subject to the payment thereout of the expenses of management, interest upon borrowed money and other expenses which in the opinion of the Board are of a revenue nature, constitute the profits of the Company available for distribution. The payment of dividends may also be limited by legal restrictions and by financing agreements. There can be no assurance that dividends of any amount will be declared or distributed in any year.

## SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with the Manager dated October 6, 2020 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue to the Manager, and the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the HK\$775,000,000 in aggregate principal amount of the Bonds at an issue price of 100.00 per cent.

To the best of the knowledge of the directors of the Issuer and the Company, information and belief, having made all reasonable enquiries, the Manager is a third party independent of each of the Issuer the Company and are not a connected person (as defined in the Listing Rules) of the Issuer or the Company.

To the best of the knowledge of the directors of the Issuer and the Company, information and belief, none of the initial placees (and their ultimate beneficial owners) will be connected persons (as defined in the Listing Rules) of the Issuer or the Company.

Each of the Issuer and the Company has undertaken with the Manager that neither the Issuer nor the Company nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any debt securities with covenants outside the PRC, or any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, convertible for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Manager, between the date of the Subscription Agreement and the date which is 60 days after the Issue Date (both dates inclusive); in each case except for (i) the Bonds and the New Shares issued on conversion of the Bonds, and (ii) the awards granted under the restricted share unit plan of the Company adopted by the Company on May 10, 2018 which has been disclosed in the Company’s latest published consolidated financial statements.

Brilliant Seed Limited, a substantial shareholder of the Company (the “**Major Shareholder**”), has executed a shareholder lock-up undertaking dated October 6, 2020. The Major Shareholder has undertaken in favour of the Manager that, between the date of the Subscription Agreement and the date which is 60 days after the Issue Date, it will not, and will procure that none of its nominees, companies or associates controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will other than the transfer of any Lock-up Shares

pursuant to the securities borrowing and lending agreement dated October 6, 2020 between Merrill Lynch International and the Major Shareholder, (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Lock-up Shares or any interests therein beneficially owned or held by such Major Shareholder or any securities convertible into or exercisable or convertible for or substantially similar to any such Lock-up Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Lock-up Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Lock-up Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Manager (whose consent shall not be unreasonably withheld or delayed). In this paragraph, “**Lock-up Shares**” means an aggregate of 242,870,430 Shares held by it and its controlled affiliates directly or indirectly (or through nominees) as at the date of the undertaking.

The Subscription Agreement provides that the obligations of the Manager are subject to certain conditions precedent, and entitles the Manager to terminate it in certain circumstances prior to payment being made to the Issuer. Each of the Issuer and the Company has agreed to indemnify the Manager against certain liabilities in connection with the offer and sale of the Bonds.

The Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Manager and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and/or Company for which they have received, or will receive, fees and expenses.

The Manager and its affiliates, the Issuer’s affiliates or the Company’s affiliates, may purchase Bonds for their own account (without a view to distributing such Bonds) and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the securities of the Issuer and/or the Company or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any of the other securities of the Issuer and the Company, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being ‘offered’ should be read as including any offering of the Bonds to the Manager and its affiliates, the Issuer’s affiliates or the Company’s affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the



case, liquidity of trading in the Bonds may be constrained. The Issuer, the Company and the Manager are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Manager and its affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the securities and instruments of the Issuer and/or the Company, including the Bonds. Typically, the Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer and/or the Company, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Manager and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or the other financial instruments of the Issuer and/or the Company, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

## **GENERAL**

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds and the giving of the Guarantee is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Company or the Manager that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Company or the Manager, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Company or the Manager.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Manager or such affiliate on behalf of the Issuer and the Company in such jurisdiction.

## UNITED STATES

The Bonds, the Shares to be issued upon conversion of the Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Manager has represented and warranted that it has not offered or sold, and agrees that it will not offer or sell, any Bonds or the Guarantee within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, the Shares to be issued upon conversion of the Bonds or the Guarantee. Terms used in this paragraph have the meaning given to them by Regulation S.

## PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

## UNITED KINGDOM

The Manager has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## PEOPLE’S REPUBLIC OF CHINA

The Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

## HONG KONG

The Manager has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## SINGAPORE

The Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the “SFA”) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or

- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **JAPAN**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, the Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **CAYMAN ISLANDS**

No offer of the Bonds will be made directly or indirectly to the public in the Cayman Islands.

## **GENERAL INFORMATION**

### **1. Clearing Systems**

The Legal Entity Identifier (LEI) code for the Issuer is 549300IKI7RRU8M3FR91. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The securities codes for the Bonds are as follows:

Common Code:	224138687
ISIN:	XS2241386874

### **2. Authorisations**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds and the right of conversion into Shares was authorised by resolutions of the sole director of the Issuer on September 25, 2020. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution passed at a meeting of the board of directors of the Guarantor held on September 25, 2020.

### **3. No Material Adverse Change**

Save as disclosed in this Offering Circular, there has been no material adverse change or development involving a prospective material adverse change in the condition (financial or otherwise), business or results of operations of the Company or the Group since June 30, 2020.

### **4. Litigation**

Neither the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor, as the case may be, believes are material in the context of the Bonds and the giving of the Guarantee, nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

### **5. Listing of Shares**

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued on conversion of the Bonds.

## **6. Listing of Bonds**

Application has been made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Company, any subsidiary or associate company of the Issuer or the Company, or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of HK\$2,000,000.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for definitive certificates. In addition, in the event that a Global Certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

## **7. Participation rights for the Bondholders in the event of a takeover offer of the Issuer**

The Terms and Conditions do not provide for participating rights for the Bondholders in the event of a takeover offer of the Issuer.

## **8. Documents Available**

So long as any of the Bonds are outstanding, copies of the following documents will be available for inspection by Bondholders from the Closing Date at all reasonable times during usual business hours (being between 9:00 a.m. to 3:00 p.m. Monday to Friday, public holidays excepted) (i) at the registered office of the Company at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and (ii) in the case of the last two documents mentioned below, at the specified office of the Principal Agent (being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom):

- (a) Articles of Association of the Issuer
- (b) copies of the audited consolidated financial statements of the Company as at and for the years ended December 31, 2018 and 2019, and the unaudited but reviewed consolidated financial statements of the Company as at and for the six months ended June 30, 2020;
- (c) the Trust Deed; and
- (d) the Agency Agreement.

## **THE ISSUER**

### **Dreambeyond Holdings Limited**

PO Box 309, Ugland House,  
Grand Cayman, KY1-1104,  
Cayman Islands

## **THE GUARANTOR**

### **iDreamSky Technology Holdings Limited**

31/F, Tower Two Times Square,  
1 Matheson Street,  
Causeway Bay,  
Hong Kong

## **TRUSTEE**

### **The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
United Kingdom

## **PRINCIPAL PAYING AGENT AND PRINCIPAL CONVERSION AGENT**

### **The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
United Kingdom

## **REGISTRAR AND TRANSFER AGENT**

### **The Bank of New York Mellon SA/NV, Luxembourg Branch**

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## **LEGAL ADVISORS TO THE MANAGER**

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## **LEGAL ADVISORS TO THE TRUSTEE**

*As to English law*

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13/F Gloucester Tower, The Landmark, 15 Queen's Road Central,  
Central, Hong Kong

## **AUDITORS OF THE GUARANTOR**

### **PricewaterhouseCoopers**

**Certified Public Accountants  
Registered Public Interest Entity Auditor**  
22/F, Prince's Building  
Central, Hong Kong